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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Thursday November 21 1991

COPPER

Comex gets physical

Page 34

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World News Business Summary

Yugoslav army alleges Croats killed 41 children

Croat soldiers were yesterday accused by the Yugoslav army of killing 41 children in a village school as they fled advancing Yugoslav troops. Photographer Goran Mikić said he saw and counted the bodies, which had been dumped in the school's cellar, but was not allowed to photograph them.

Meanwhile Britain, France and Belgium - the three European Community members of the UN Security Council - agreed to press for UN sanctions against the Yugoslav republics. Page 24

Shift on hostages
Sheikh Abbas Musawi, leader of the pro-Iranian Hizbullah, said the issue of western hostages in Lebanon was completely separate from the issue of the Lebanese civil war, which he said was being fought by the Lebanese people for their own freedom. Page 7

India drops sale plan
India has withdrawn an offer to sell Iran a nuclear reactor. A senior Indian external affairs ministry official said the change of heart came after the plan ran into stiff criticism from the US. Page 6

Disident returns
Chinese dissident Dai Qing, who vanished for five days during the visit of US secretary of state James Baker, reappeared at her Beijing home saying she had been abducted. Bush's China policy. Page 5

Plea for Iraq aid
Millions of innocent Iraqis are suffering from disease, malnutrition and contaminated water, and voluntary agencies alone cannot help, the British charity Oxfam said. Page 7

Soviet helicopter crash
A Soviet military helicopter crashed in the disputed Caucasus region of Nagorno-Karabakh killing 17 passengers, 15 of them senior officials.

Blow to Kenyan murder
Sacked Kenyan industry minister Nicholas Biwott denied murder and corruption allegations and branded them "for-profit propaganda". He told an Austrian news agency there was no truth in allegations that he was implicated in the murder of foreign minister Robert Ouko 20 months ago. UK urges Kenya. Page 7; Editorial comment. Page 22

Peru killings alleged
Human rights organisation Amnesty International said security forces in Peru had unlawfully killed more than 200 people in the past year, despite President Alberto Fujimori's pledges to respect human rights.

Police probe jail break
British police launched an inquiry into allegations that detectives helped two suspected Irish Republican Army terrorists escape from a London prison in July. A TV programme claimed the escape was encouraged in a bungled plot to trap other IRA suspects.

Licence suspended
The Michigan Board of Medicine suspended the licence of Jack Kevorkian, the retired US pathologist who has helped three women commit suicide in the past two years.

Soccer fans held
More than 300 soccer fans were held in Brussels after mounted police charged rioting German supporters. About 6,000 German fans were in Belgium for a European football championship qualifying round. Page 3

Diamond auction hopes
The biggest coloured diamond ever to be auctioned goes under the hammer at a Christie's sale in Geneva today. The 106-carat stone is expected to fetch \$8m-10m.

McDonnell Douglas plans Taiwan venture

Taiwan Aerospace, seven-week-old joint venture between the Taiwan government and local industry capitalised at \$200m, announced its intention to invest \$20m in a new aircraft manufacturing joint venture with McDonnell Douglas, financially stretched US aerospace group.

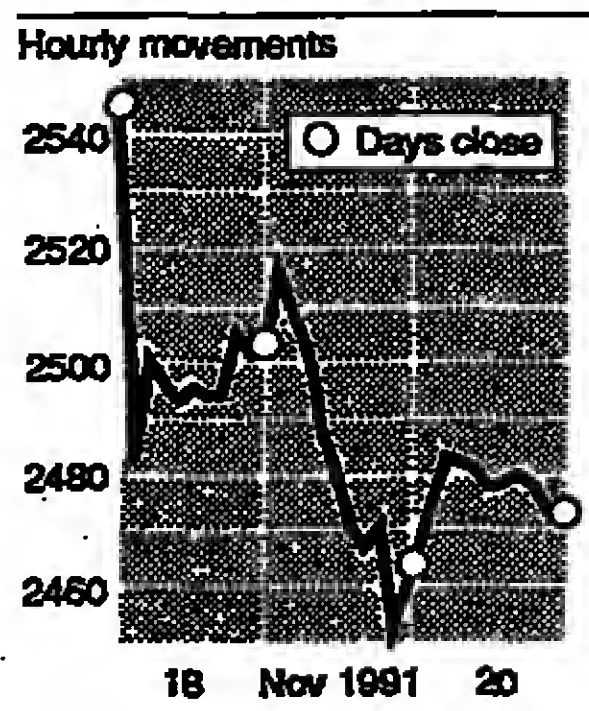
Airbus Industrie, European aerospace consortium, is stepping up efforts to persuade Japanese companies to consider joint development of a super-jumbo aircraft.

Roll-Royce, UK aero-engine company, has won an order worth up to £180m (\$325m) to supply US Air with RB211-535 engines for a fleet of up to 30 Boeing 767 aircraft. Taiwan Aerospace, Page 25; Airbus Industrie, Page 4; Rolls-Royce, Page 8

NORWEGIAN BANKING: The crisis in the industry deepened significantly when the country's leading banks ran into criticism from regulatory authorities over their recent conduct, and the share prices of all banks listed on the Oslo bourse fell as investor confidence sagged. Page 25

FT-SE INDEX: After the falls earlier in the week the final reading put the index at 2,472.6 for an improvement of 9.5 on the day. Traders were in no doubt that the recovery was

FT-SE 100 Index



little more than a technical rally in a stock market which has fallen by more than 3 per cent since the close of business last Friday. London stocks, Page 35

SONY: Japanese consumer electronics and entertainment group, suffered a steep drop in pre-tax profits in the six months to the end of September as a result of the strength of the yen and lacklustre sales of audio-visual equipment in Japan. Page 25

VIRGIN MUSIC: Group has signed the Rolling Stones pop group. The deal, which starts in March 1992, gives Virgin rights to all albums made by the group after 1971. The band was previously signed to Sony. Page 8

VOLVO: Swedish motor group, reported a profit (after financial items) of SKr1.27bn (\$217m) for the first nine months of the year, despite mounting operating losses. Saab-Scania, Swedish vehicle and aerospace group, had a fall in profits (after financial items) to SKr892m (\$152m) from SKr1.57bn for the first nine months of the year. Page 26

THOMSON CORPORATION: rising share of the UK travel market helped increase third-quarter operating earnings 9.5 per cent in the face of continued softness in its newspaper business. Page 27

NESTLE: world's leading foods group, expects a 7 per cent rise in sales to about SFr50bn (\$35.2bn) this year, and hopes net earnings will rise at a similar rate from last year's SFr2.27bn. Page 26

ASEA BROWN BOWLER: Europe's biggest electrical engineering group, has reported a 2 per cent increase to \$761m in pre-tax earnings for the first nine months. Page 26

Commission president says states would have too much power

Delors attacks 'crippling' draft EC union treaty

By David Gardner in Strasbourg

MR Jacques Delors, president of the European Commission, yesterday warned that the European Community's latest draft political union treaty could spell the end of the Community.

Mr Delors said the draft treaty gave member states too much power outside EC structures. "Believe me, a text written in these terms is inapplicable or crippling," he told the European Parliament.

The treaty is in the final stages of negotiation ahead of the Maastricht summit, which is now less than three weeks away.

In a barely disguised rebuttal of almost everything the UK has insisted on as the price for accepting political union, Mr Delors also stressed that there had to be majority voting on social policy and the new common foreign and security policy.

Mr Delors' *cri de coeur* has revived the debate on whether new common powers in foreign

policy and affairs such as immigration, should be under Community jurisdiction or as in the current draft of the treaty - matters for government-to-government co-operation between the Twelve outside the treaty.

He said: "There is not one example of a grouping of nations which has survived on the basis of intergovernmental co-operation."

"My belief is that by conserving intergovernmentalism in the treaty, because of the precedents and the likelihood of politicians and bureaucrats striking deals behind closed doors, the intergovernmental will pollute the Community and roll it back."

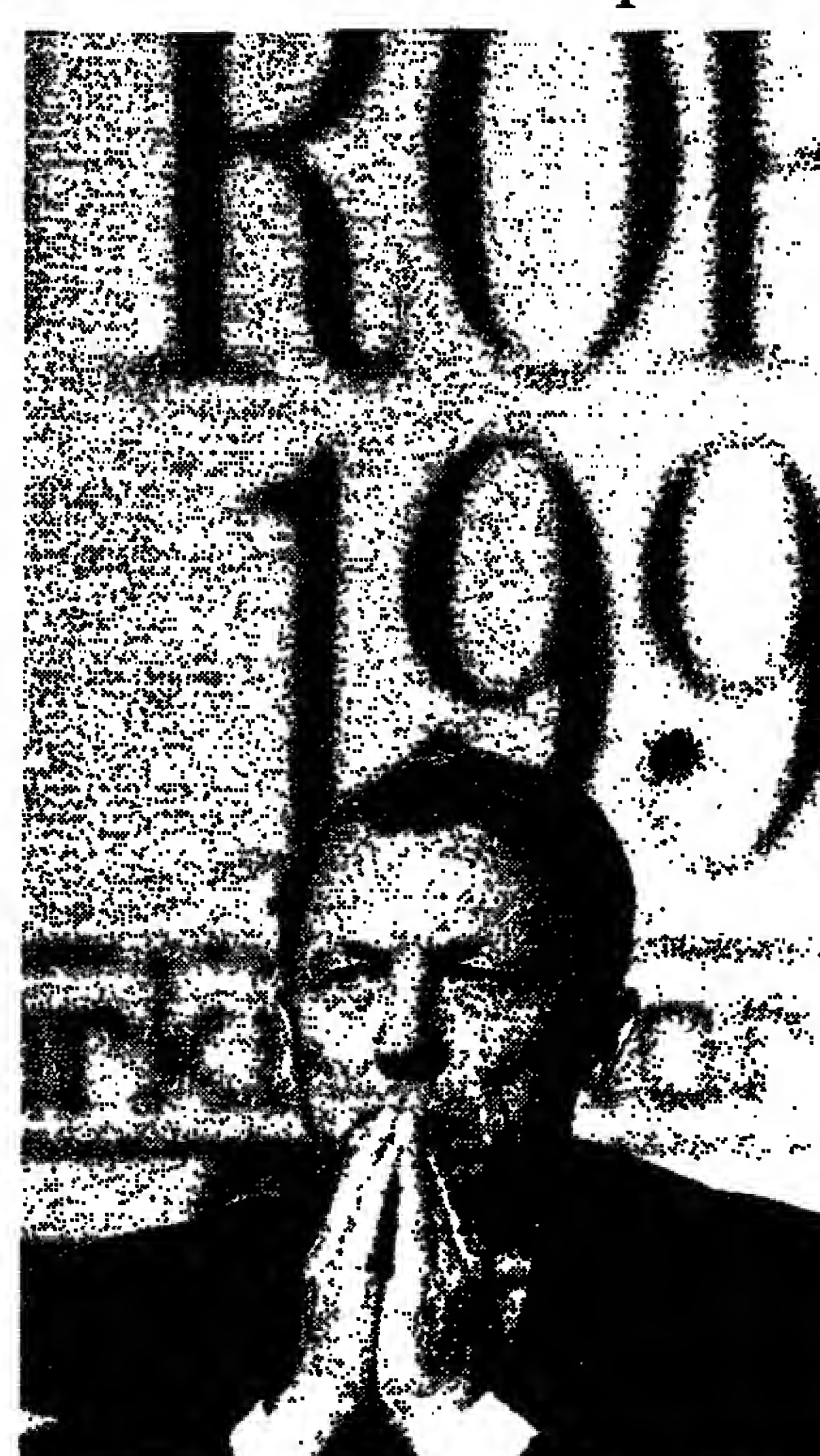
The current Dutch EC presidency's attempt partially to integrate foreign and internal security policy into the treaty was thrown out by the Twelve at the end of September, which led Mr Douglas Hurd, the UK foreign secretary, to say two weeks ago that "we won that argument... the federalists lost."

Mr Delors insisted that to have EC external economic relations managed by the EC and foreign policy by the member states would lead to "organised schizophrenia".

Nevertheless, he appeared to be trying to rally support, particularly from France and Germany. This was to ensure majority voting on foreign policy co-operation, and to get a "deeper" or more integrated treaty as the precondition for enlarging the Community from 1992.

He said the 1996 treaty review called for in the current draft treaty - which foreshadows integration of foreign and internal security policy - was "not an excuse for faltering steps or standing still now". The 1996 review was to "adapt our institutions to a Community which will perhaps comprise 15, 20 or 25 members", he insisted.

Continued on Page 24



Jacques Delors: majority voting on social policy is a must

Minister fears further dictatorship in Soviet Union

By John Lloyd in Moscow

MR EDUARD Shevardnadze marked his first day back as Soviet foreign minister by warning of a further threat of dictatorship in his country and of a "threat to the planet" from the possible disintegration of the Soviet Union.

He was echoed by President Mikhail Gorbachev, once more his comrade-in-office, who told the Soviet parliament that "catastrophe" was staring the country in the face as its budget deficit spins out of control. He said "the whole world shudders" in anticipation of a division in the nuclear forces of the Soviet Union.

Mr Gorbachev appealed to the parliament to approve an extra credit line from the State Bank of Russia - which he had already granted to his government in the summer - and to permit a further \$20bn in credit.

However, representatives from the dominant Russian republic refused to approve an emergency budget for the last quarter of the year - estimated at \$110m - saying their own economic reform must take priority.

Mr Shevardnadze has been a consistently gloomy - but not inaccurate - voice on the sidelines of Soviet events over the past 11 months since resigning after warning of a coup.

In an interview with the French network Antenne 2 he said the danger of a return to totalitarianism was "greater today than before the putsch". "The threat exists firstly because the people who supported the totalitarian system still exist but also because of the aggravation of social conditions," he said.

In another interview, with the daily Ivestia, he said: "I am not exaggerating when I say that we must save not just the country but the world - for an unstable Soviet Union is a threat to the whole planet".

Immediately after the failed putsch, Shevardnadze said Gorbachev's indecision had encouraged the hard-liners. "The situation is different than it was a year ago when I quit as foreign minister," Mr Shevardnadze told Ivestia. "A new confederate state is being formed. I feel that I can be useful and I can make my contribution to this difficult process."

Continued on Page 34

High risk options, Page 3
Soviet food credits, Page 5
Editorial Comment, Page 22

Thatcher warns against federalism

By Philip Stephens, Political Editor, in London

A STARK warning by Mrs Margaret Thatcher that Britain must halt the "conveyor belt to federalism" yesterday overshadowed a further step by Mr John Major towards a deal with his European partners at next month's Maastricht summit.

In a tense and often rowdy opening to an historic House of Commons debate on economic and political union, Mrs Thatcher told her successor as prime minister that she backed calls for a referendum on the issue of a single European currency.

Her support for a plebiscite, supported by an odd alliance of right-wing Conservative and left-wing Labour members of parliament and by Mr Paddy Ashdown, the Liberal Democrat leader, brought the first hint that the government might consider such an option. Mr Major told the Commons that he did not favour the idea,

but government officials indicated that he had not slammed the door permanently if a future parliament sought a referendum before a final decision on monetary union was taken in 1996 or 1997.

Mrs Thatcher, speaking on the anniversary of the leadership contest with Mr Michael Heseltine that forced her departure from Downing Street, said she would vote for the government this week, reserving judgment on the outcome at Maastricht.

But speaking with the passion and authority of a politician, she declared that moves towards a single currency would undercut decisively British democracy. "What we are talking about is the rights of the British people to govern themselves under their own laws made by their own parliament."

Then, backing the idea of a

■ Spain promises to meet Emu targets; Page 2
■ The European debate; Page 9
■ Economic viewpoint: Britain's self-imposed confidence trick; Page 22

referendum if all the main parties went into a general election favouring a single currency, she said: "I come to the conclusion we should let the people speak". But she left open whether such a test of public opinion should come before ratification of any deal at Maastricht or should apply only at the final stage of Emu.

Her intervention, which transixed the Commons chamber after a detailed exposition by Mr Major of the progress of the negotiations, held the implicit threat that she would oppose any substantial surren-

der of British sovereignty.

Mr Major made it clear that he was ready to risk a rebellion by Mrs Thatcher and her allies if he could secure an agreement with other European governments which fell short of a commitment to federalism.

The prime minister opened the two-day debate with a warning to other governments that Britain's hopes for a deal should not be interpreted as a signal that it would sign up to "whatever is on offer". With several EC ambassadors sitting in the Commons gallery, he declared: "I urge them not to make that judgement. That would be fatal."

The sceptical tone of much of his speech, however, did little to disguise an offer that if other European governments lower their sights, Britain is ready to compromise.

Mr Major said the structure of the draft treaty on economic and monetary union met his

government's demand that a final decision on British participation on a single currency be left to a future parliament. Explicitly rejecting the case put later by Mrs Thatcher, he said it would be "damagingly wrong" to exclude the option of moving to single currency.

Reviewing the bargaining on political union, Mr Major underlined repeatedly that Britain would not surrender control of foreign, defence and immigration policies, nor accept majority voting to implement the social charter.

Senior ministers confirmed that between the lines of his resolute stance there were several signals to Britain's partners of flexibility. Britain was ready to consider limited extensions of the European Parliament's right of veto, and some increase in Community competence in areas such as the environment, health and education.

Brussels approves FF2bn injection for Air France

By David Gardner in Strasbourg

THE French government won European Commission approval yesterday for a FF2bn (\$350m) capital injection in Air France, but was warned that further funds for the state-owned carrier would be subject to tight restrictions.

Concluding a four-month inquiry, the Commission decided the recapitalisation was not state aid, but was the "justifiable action of an investor seeking profitability".

"This was a rational investment for anyone thinking long term," according to Mr Karel Van Miert, the transport commissioner in charge of the investigation.

Officials took into account Air France's deteriorating finances after the Gulf war, which coincided with the carrier's restructuring plan and difficulties in absorbing Air Inter and UTA, two domestic airlines taken over last year.

The Commission compared the Air France cash injection with the efforts of competitor airlines to recapitalise and restructure, and found little

variance, officials said. The capital injection forms part of a FF5bn package earmarked for the carrier. The Commission underlined that French plans to inject a further FF3bn over the next two years would be subject to a separate inquiry.

Though officials would not say how many commissioners supported Mr Van Miert yesterday, his unusual reference to cash injections - which have yet to be formally announced - is thought to have been insisted upon by Sir Leon Brittan, who, as competition commissioner, has cracked down on state subsidies to industry.

Mr Van Miert had excluded from his inquiry last July's decision by the state-owned Banque Nationale de Paris to take a FF1bn stake in Air France. By contrast, Sir Leon has just started an inquiry into a similar case involving Credit Lyonnais, another government-owned bank, and Lincor, the steel manufacturer.

Sir Leon has become some-

thing of a *bête noire* for the French government, after his successful campaign to persuade the Commission to turn down the takeover of De Havilland, the Canadian maker of commuter aircraft, by a Franco-Italian consortium involving Aeritalia.

Mr Van Miert was instrumental in getting the Commission to approve the Belgian government's \$1bn injection into Sabena, its ailing national carrier, earlier this year, to enable it to restructure.

A spokeswoman for Air France said the carrier was pleased the Commission had approved the capital increase, adding that it would be used to help finance the airline's heavy investment programme over the next few years.

She said Air France expected to spend FF3bn over the next three years, mainly on new aircraft, and to take delivery of 66 new aircraft during that period.

Editorial Comment, Page 22; USAir orders, Page 8

Lazard UK Income Trust

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	5 yrs	4 yrs	3 yrs	2 yrs	1 yr
Top Quartile	+99.2%	+64.7%	+38.7%	+21.2%	+23.3%
Second Quartile					
Third Quartile					
Fourth Quartile					
Number of funds	86	101	108	112	118

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Rao treads warily on public sector after record poll win

The by-election victory of prime minister Narasimha Rao (left) seems to have revived his preference for prudent industrial change. However, his caution has dismayed many foreign and Indian industrialists. Page 6

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MARKETS

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EUROPEAN NEWS

More 'Europe' sought in education

By Andrew Adonis

A PLAN to increase the "European dimension" of higher education in the EC is included in wide-ranging ideas soon to be suggested by the European Commission.

A memorandum on the subject by Ms Vasso Papandreou, social affairs commissioner, will be discussed by education ministers next Monday. Stressing "the important part which higher education can play in cementing relations with European neighbours", it calls for:

- Greater student mobility

and improved language competence, and suggests extensions to Community programmes like Erasmus and Lingua. The paper calls for a wider EC dimension to the school curriculum, at primary and secondary level. This, it argues, "makes it essential that a European experience should form part of the professional education of teachers".

- Improved access to higher education for both school-leavers and more mature students.

"Social inequalities

should be addressed: common targets for participation within the Community should be considered along with support to the regions in attaining targets". This passage is likely to be controversial among member states - notably Britain - unwilling to see an extension of EC competence into education.

At present, participation rates vary widely, with France and Germany at the top, and Britain towards the bottom, of the league table of those taking

part in education and training after the age of 16.

- Closer links between higher education and industry. The potential for extending Community programmes, like Comett, designed to bridge the higher education/industry divide is mentioned.

- The promotion of more adult education, requiring "new national structures and an impetus from the EC with regard to exchange of experience and transnational co-operation".

Although the Community finances several education-related programmes, its legislative activity in the field is currently limited to directives regulating the right of residence for students and the mutual recognition of degrees and professional qualifications.

The Commission sees its essential role as that of "catalyst and facilitator of co-operation and common action", without endangering differences between higher education systems across the EC.

Chill wind blows through French state boardrooms

By William Dawkins in Paris

PLANS by Mrs Edith Cresson, the French prime minister, to improve worker consultation and information in state industry have left shivers of apprehension in boardrooms across France's public sector.

The move, inspired by German experience, is one of several reforms being considered by Mrs Cresson which would introduce the biggest changes to the management of state industry for eight years. They have been given extra urgency by the recent wave of strikes in state companies (though the rethink predates the labour unrest) and would take effect through laws to be presented to parliament next spring.

At first sight, this looks confusingly as if the government is about to increase industrial intervention just as it is pulling back the frontiers of the state with a programme of partial privatisations.

"I do not understand how one can force change in a company through new structures, moreover borrowed from another culture," complains Mr François Féret, president of the Patronat employers' organisation.

Yet government officials argue that a state clampdown on management is just the opposite of what they are hoping to achieve. The idea is to



Cresson: reforming zeal

give a wider choice of management structures suitable to state companies' specific needs, to avoid labour disputes and to encourage more professional management, they say.

The following changes are under discussion, though details could alter before Mrs Cresson consults state company chairmen in the weeks ahead:

- Worker consultation at board level. Under the present system state companies must allot a third of board seats to staff representatives. They also have consultative works councils, as do private sector counterparts above 50 employees.

One option is to apply to the state sector the long-deadlocked European Community company statute, which sets out three options for different degrees of worker participation, including UK-style collective bargaining. French works councils and German-style worker co-determination. The government hopes agreement at the Maastricht summit will break the deadlock.

Mrs Cresson has made no secret of her admiration for the German system of a management board for day to day business, and a supervisory board - with half the seats occupied by staff representatives - for strategic decisions.

She is also aware that the German model cannot simply be transposed to France, given that France does not have Germany's one union per industry structure. As the latest strikes have underlined, France's unions are deeply fragmented. So officials stress that the German model would be just one of several options. The European company statute would also be offered as an option to private companies.

- Top management. Mrs Cresson is considering updating the current system of an omnipotent president-director-general in favour of having a UK-style chairman working closely with a small board of three to five directors. Her staff are exploring whether to lengthen the three-year mandate given to heads of state companies, to ensure better continuity.

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Euro-MPs set to back strategy for HDTV

By Andrew Hill in Brussels

THE EUROPEAN Parliament yesterday seemed set to back an amended strategy for the future of high-definition television in Europe yesterday in an important vote on draft legislation in Strasbourg.

Late yesterday afternoon the largest political group, the Socialists, was preparing to support liberalising amendments tabled by Mr Gérard Caudron, the French Socialist MEP, on behalf of the parliament's committee on industrial affairs. However, procedural delays meant there was a chance that MEPs would not have time to vote as scheduled last night.

The EC must make sure it does not give drug traffickers new opportunities when it eliminates internal borders after 1992, President George Bush's adviser on drugs policy said yesterday, Reuter reports. Mr Bob Martinez

About 30 German Socialists were planning to oppose one technical amendment, but officials in Strasbourg said MEPs were very unlikely to call for withdrawal of the directive, as proposed by the parliament's environment committee.

The parliament's backing is not essential to the success of the European Commission's draft HDTV directive, but it will provide Mr Filippo Maria

told the Brussels-based international Customs Co-operation Council that the success of the US campaign to drive down demand for drugs could mean Europe would face an onslaught from cocaine traffickers.

Pandolfi, the EC's embattled telecommunications commissioner, with a weapon in his attempt to reconcile feuding manufacturers and broadcasters.

Mr Pandolfi said on Monday that the Commission was ready to accept a more flexible plan, based on some of the parliament's amendments. Among other things, the Commission is prepared to drop its insis-

tence on a single standard, D2-Mac, being imposed on all new satellite broadcasts as an immediate step towards a full HDTV norm, HD-Mac. The new amendments would also exempt broadcasts which use the alternative digital technology from compulsory transmission in HD-Mac.

The commissioner has promised to deliver an improved HDTV strategy to telecommunications ministers when they next meet on December 5. Existing legislation on satellite transmission standards expires at the end of the year.

There are some signs of rapprochement in the industry but most satellite broadcasters, which use different transmission standards, still feel that the amended plan is too strict. Electronics manufacturers, such as Philips of the Netherlands and Thomson of France, have been pushing for rigid and narrowly defined standards because they have already invested heavily in D2-Mac technology on the basis of the existing directive.

communications ministers when they next meet on December 5. Existing legislation on satellite transmission standards expires at the end of the year.

There are some signs of rapprochement in the industry but most satellite broadcasters, which use different transmission standards, still feel that the amended plan is too strict. Electronics manufacturers, such as Philips of the Netherlands and Thomson of France, have been pushing for rigid and narrowly defined standards because they have already invested heavily in D2-Mac technology on the basis of the existing directive.

"The company saves
£70 every time I fly
business class to
Amsterdam? Are you
serious?"



British Midland's Diamond Service is based on a very simple principle. Business class travel at economy fares. From our comprehensive schedule - over 900 flights every week into and out of Heathrow's Terminal 1 - to the genuine, unaffected friendliness of our cabin staff, from complimentary meals and drinks to newspapers on

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Citizens can sue over EC law, says court

By David Buchan in Brussels

THE European Court of Justice has opened up a radical new means of enforcing Community law by ruling that individuals can sue their governments for damages for failing to implement EC directives.

Several Italians whose bankrupt employers had failed to pay them back pay, had brought damages suits against their government for not putting into national law a 1980 EC directive on the workers' rights in cases of insolvency.

The Italian courts sought the opinion of the European Court, which on Tuesday ruled that the government was liable, not for the precise salary arrears in question, but for any damages caused by its tardiness.

The EC judges indicated their ruling only applied when there was a clear link between

the failure of a government to implement EC legislation and damage suffered by individuals. Lawyers therefore suggest it might not open the way to private law suits to enforce EC laws covering wide fields such as the environment.

But Commission officials said the ruling might at last put some bite into efforts to chase up laggard governments. It is by far the worst offender in failing to put EC laws on its statute books. The European Court condemned Italy in 1989 for not obeying the 1980 directive, but with no apparent effect.

The forthcoming Maastricht treaty on political union is likely to contain a provision allowing the European Court to fine governments for not complying with EC law.

D-Mark forgeries are a growth industry

By Christopher Parkes in Bonn

A NEW threat to the D-Mark - as if pay and price inflation, the federal deficit and an industrial catastrophe in the east of Germany - emerged yesterday.

"The new enemy of real money", as the Bundesbank put it, is a man in a suit pushing the buttons on his Japanese, high-definition, four-colour photocopier.

The bank was commenting on figures from the BKA federal criminal office which reveal a surge in copier counterfeiting. Compared with 1990, when only 14 per cent of detected forged notes came from copiers, the proportion in the first nine months of this year is 64 per cent, and rising.

Last year the BKA counted 6,749 duds, including 1,184 produced by the latest electronic technique. Between January and September this year, it collected 28,300 of which

almost 17,000 were faked on widely-available copiers. The deceptive capacity of a DM100-note ran off in the lunch hour was underlined by the news that almost a third of the detected fakes were drawn from banks.

Main sources of the flood are the 4,000 Japanese high-definition copiers in German offices, which carry a clear - and tempting - warning: Copying banknotes, travellers' cheques, securities and stamps is a punishable offence.

Main perpetrators, the BKA says, are once-prosperous business people (who could afford up to DM2,000 a machine) and who find themselves in financial difficulties.

Main victims so far is the Bundesbank's cash in recent months. It has been complete with latent images, watermarks and silver strips are virtually untraceable.

EUROPEAN NEWS

Soviet army warns on weapons takeover

By John Lloyd in Moscow

THE Soviet army and interior forces yesterday threatened the republics with "the most serious consequences, even bloodshed" if they continued to press for a takeover of weapons and military property on their territories.

The threat, in a joint statement issued by the ministries of Defence and Internal Affairs, is the first time since the August coup that the military has reacted aggressively to the erosion of its authority in republics which are preparing to establish their own defence forces.

It contradicts the embellished line so far pursued by Mr Yevgeny Shaposhnikov, the Soviet defence minister, who has made a series of concessions to the republics. He has

even gone so far as agreeing that the Ukraine could create its own army.

The statement, which bore no signatures, said that "assaults on military units with the aim of grabbing arms and equipment constitute the most serious threat to stability and internal security... no-one should have any doubt about the fact that the military have the full right for necessary defence, including the use of arms, in accordance with existing laws and military codes".

Although the statement did not specify the republics, it clearly had in mind the Ukraine, Moldova, Georgia and Azerbaijan, where decrees have been issued to nationalise military property and take

over command of army and military installations and weapons.

In three of these republics - Azerbaijan, Georgia and Moldova - armed conflicts continue in which the army plays a largely passive role, powerless to stop inter-ethnic strife.

The daily newspaper *Izvestia*, which carried the text of the joint statement yesterday, commented that its contents were known to both President Mikhail Gorbachev and Mr Boris Yeltsin, the Russian President.

In his speech to the Soviet parliament yesterday, Mr Gorbachev warned several times that the greatest danger now facing the Soviet Union was that of the disintegration of the union itself.



National guardsmen and volunteers stand watch yesterday outside the president's office in the rebellious republic of Chechen-Ingushetia

Republics seek changes in G7's aid package

SOVIET republics have responded to a large aid package from the Group of Seven leading industrialised nations with a series of counter proposals, the head of Kirgizia's national bank said yesterday, *Reuters* reports from Moscow.

Mr Sagmal Sulaimanbekov outlined some of the proposals on resolving liquidity problems during a break in talks between republican leaders and G7 deputy finance ministers. "We hope that, even if not all proposals are approved, there will be some understanding," he said.

The proposals, said to consist of six main points, were

being translated into English for the G7, which on Tuesday offered the republics a bridging loan and a deferral of principal repayments on Moscow's foreign debt, estimated by the Russians to be \$84bn.

The package, estimated by G7 officials to be worth about \$70n, has been welcomed by Soviet delegates.

As the G7 delegates were meeting President Mikhail Gorbachev in the Kremlin, republican officials worked on their own proposals, which they said are not expected to change the substance of the aid package.

Mr Sulaimanbekov said the G7 had proposed using gold as

a means of boosting liquidity. But the republics had some reservations about this. "We are going to resort to this only in case of emergency, when all other possibilities are exhausted," he said.

Soviet gold reserves, estimated at 240 tonnes, are almost exhausted after heavy sales in the past three years and another 150 tonnes have already been deposited with foreign banks as collateral for credits.

Mr Sulaimanbekov said another proposal concerned the role of the International Monetary Fund, but he gave no details. The republics were also

seeking G7 support in exploiting natural resources such as oil and metals.

He said they wanted the G7 to accept that a memorandum of understanding on assuming joint responsibility for Soviet foreign debt should remain open to the republics which have not yet signed it.

Three of the 12 republics - the Ukraine, Uzbekistan and Azerbaijan - have not given full backing, and Georgia is waiting for its signature to be ratified by its capital.

However, Ukraine and Azerbaijan have indicated they will sign after an agreement on how debt and assets are to be

shared out.

Anthony Robinson adds: The unexplained increase in the Soviet debt to \$84bn is probably due to unrecorded borrowings by banks and the private sector over the past few years which are only now being centralised, according to Mr David Roche, senior Soviet analyst at Morgan Stanley, the US merchant bank.

The G7 talks confirm that the Soviet Union could default within a month without a debt re-scheduling package but western banks would prefer deferment as it would allow them some say in the terms of any agreement, he added.

The high risk options for Russia's economics chief

By Leyla Boulton in Moscow

NOW is a dangerous time to be in government, whatever you do, says Mr Yegor Gaidar, the 36-year-old economist chosen by President Yeltsin to conduct last-ditch market reforms in Russia.

"It's a very serious risk to do nothing. It is a very serious risk to do anything unpopular. It is even a very serious risk to do something popular because everybody understands that really popular measures will lead you nowhere," he says.

So, with Mr Yeltsin's popularity to give it legitimacy, a new cabinet of bright young economists is opting for an unpopular package starting with price liberalisation. By Mr

Gaidar's own admission, it is far from perfect.

"In general terms it would be very nice to have first of all privatisation, then demonopolisation, macro-economic equilibrium... But the problem is that in the present situation this is out of the question."

Having lost control of wholesale prices, he said, the state could not keep up with mounting retail price subsidies and the unabated printing of money to finance expenditure.

"That does not mean we do not believe in privatisation as well. But nobody has a mechanism to privatise a communist economy within a month."

His first week in office was

followed by decrees last week and suspending oil exports, knocking down barriers to imports, moving towards an internally convertible rouble.

There would be a floating exchange rate for most operations, but a fixed rate for oil exporters to sell part of their hard currency earnings to the state so it could service debt and pay for key imports.

Mr Gaidar's appointment as deputy prime minister signalled the triumph of the view that Russia must not wait for other republics to hammer out a coordinated reform but must take the lead and let others follow.

Protest by E German steelmen

By Leslie Collett in Eisenhüttenstadt

NEARLY 4,000 steelworkers staged a demonstration here yesterday in an attempt to save east Germany's largest steelmill which has shed nearly 8,000 of its 12,000 employees and faces an uncertain future.

Mr Manfred Stolpe, Brandenburg's premier, told the steelworkers that Eisenhüttenstadt was a "test case" for the Land's (state) recovery.

The EKO steelmill and the adjoining city, formerly called Stalinstadt, were costly Communist showpieces built in 1951. Soviet iron ore and coal were used to produce high-cost steel. This year's production of 1m tons, down per cent from 1989, resulted in a heavy loss.

Mr Stolpe urged the Treuhand privatisation agency to decide quickly on selling the steelworks and said he would convene a meeting with the agency and EKO's management next week. Mr Karl Döring, EKO chairman, said the Italian steel producer Arvedi had expressed interest shortly after bids closed last month. The head of Arvedi was visiting today to decide whether to make an offer, he said.

The leading German steelmakers, Thyssen, Krupp and Salzgitter have bid for EKO as has Hoescht of the Netherlands. EKO's own restructuring plan envisions the closure of three of the six blast furnaces and construction of a hot strip mill of 1m tons capacity.

Mr Horst Wagner, head of the metalworker's union in Berlin, said the Treuhand had postponed a decision on selling the steelmill at Hennigsdorf and Brandenburg outside Berlin. The Italian Riva group was favoured to clinch the deal but was opposed by the union and several politicians. Treuhand officials said Thyssen and Badische Stahlwerke had since improved their offers.

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Radical changes in prospect for Turkey

By John Murray Brown in Ankara

TURKEY'S new government was given the go-ahead yesterday for a radical social and political reform programme after President Turgut Ozal formally approved the 20-man cabinet list hammered out between Mr Süleyman Demirel's True Path party and its coalition partners, the Social Democratic Populists.

Turkey's new coalition, ending eight years of majority rule by the Motherland party, will seek a vote of confidence in parliament next week for a programme which calls for the lifting of legal and constitutional restrictions inherited following the 1980 military coup. The programme, details of

which emerged last week, may meet some active opposition in parliament and the army at a time of growing urban terrorism and unrest in the Kurdish speaking south-east.

Any constitutional change, moreover, will require a two-thirds majority in the 450-seat parliament. The coalition, with 266 deputies, will thus be counting on broad party support.

The powers of the state and particularly those of the president are to be reviewed to conform with "the principles and rules of parliamentary democracy." The state monopoly on television and other media is also to be lifted.

Hundreds of fans arrested in Brussels football riot

By Andrew Hill in Brussels

BELGIAN police yesterday arrested 300-400 youths, some of them armed, who ran riot in the historic centre of Brussels before last night's European championship football match between Belgium and Germany.

The arrests came after thousands of German supporters arrived in Brussels, many of them without tickets for a match crucial to Germany's hopes of a place in the finals next year.

Several shop windows were broken in the main commercial district yesterday afternoon, and a number of racist inci-

dents were reported between German youths and young north Africans living in Brussels. According to Belgia, the Belgian press agency, those arrested included a group of neo-nazis, who unfurled a racist banner from their hotel room in the city centre.

More than a thousand police, many in riot-gear or on horseback, and supported by water-cannon, were drafted into the city centre yesterday morning to cope with the trouble. German police had identified up to 1,500 trouble-makers who they thought might try to get into the match without tickets.

Spain promises to meet Emu targets

By Tom Burns in Madrid

THE Spanish government is committed to following economic policies allowing it to participate fully in European monetary union, Mr Pedro Perez, secretary of state for the economy, told a Financial Times conference in Madrid on "Spain's role in the New Europe".

He said Spain could meet the proposed Emu targets. "There should be no doubt about the government's will to design the economic policy necessary to fulfil Emu's requirements nor about the capacity of the Spanish economy to satisfy them."

The battle to force down Spain's inflation rate to close to the levels of the main EC economies was not "a sacrifice imposed from outside", Mr Perez said, but a policy which Spain would have undertaken "even if no Emu calendar existed".

He said, however, that the current structure of the EC budget was not a suitable basis for a political and monetary union based on "efficiency, stability and fairness". Spain wants a commitment in the Maastricht treaty on budgetary

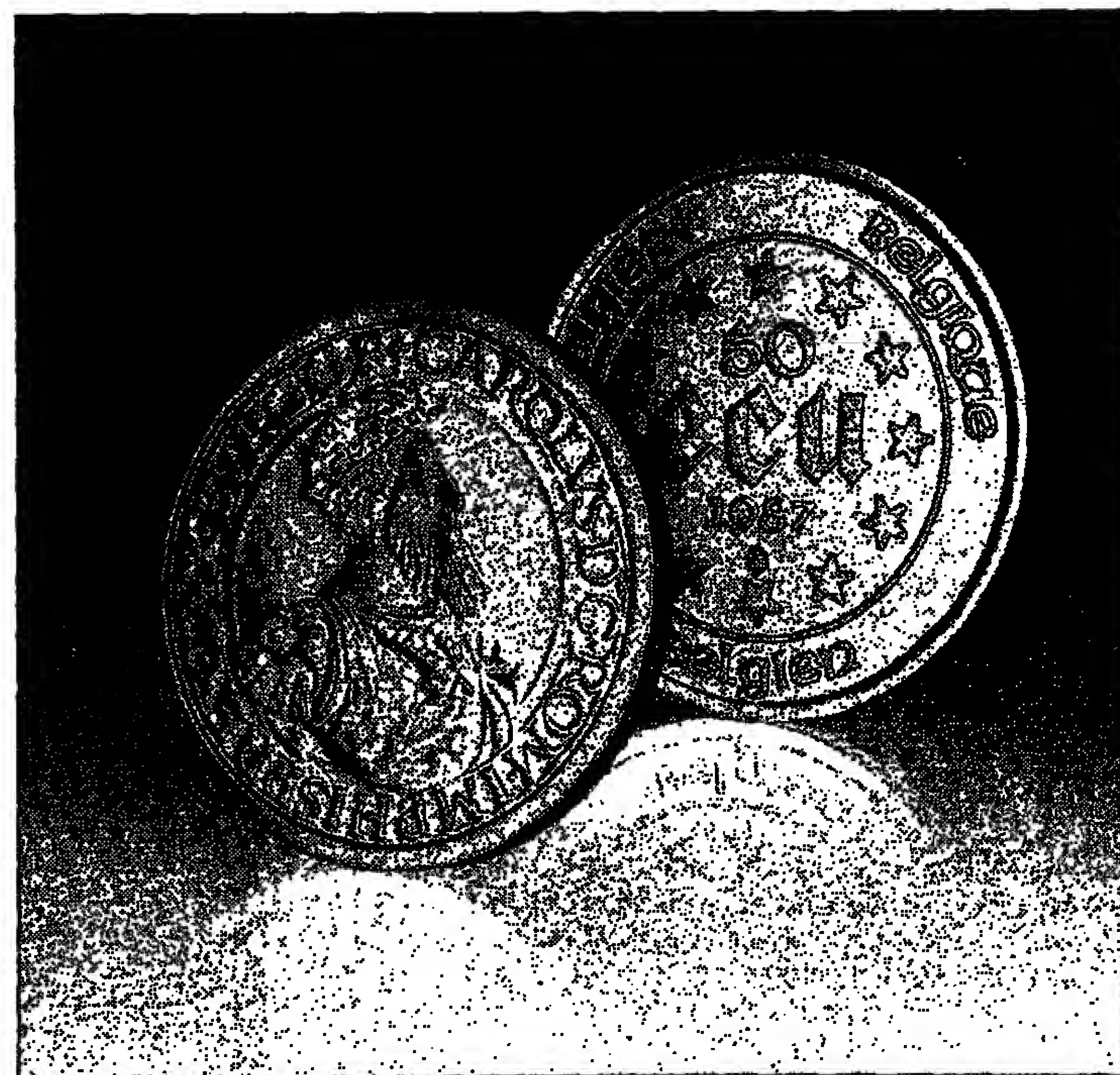
concessions for the Community's less developed members.

At the weekend Mr Carlos Westendorp, Spain's secretary of state for the European Community, warned that Madrid could block the treaties if they failed to include a legally binding commitment to correct what Spain views as serious imbalances in the way that the Community's finances are structured.

The Spanish complaints are nevertheless unlikely to be fully addressed at the Maastricht summit. Speaking at the same conference Mr Eneko Landaburu, director-general of the EC Commission's department responsible for regional policies, said the political climate was against "mixing the union treaties and the budget reforms".

Mr Landaburu said the most that could be expected on this issue at Maastricht would be "a general statement" by the Community leaders on the need to focus on imbalances when the EC budget is debated next spring. He implied that a binding agreement on cohesion was out of the question.

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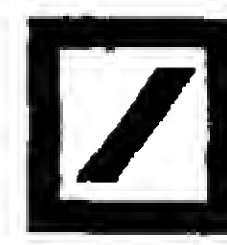
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WORLD TRADE NEWS

Airbus looks to Japan for aid on super-jumbo

By Stefan Wagstyl in Tokyo

AIRBUS Industrie, the European aerospace consortium, is stepping up efforts to persuade Japanese companies to consider joint development of a super-jumbo aircraft seating more than 600 passengers.

According to Japanese industry executives, Airbus this summer sent executives to Japan to sound out potential partners about co-operation in the development of the A350.

Airbus is keen to secure Japanese partners to share the enormous cost of developing passenger aircraft and to challenge the US near-monopoly of the Japanese market for large jets, led by Boeing.

However, informal approaches by European executives to their counterparts at Mitsubishi Heavy Industries, Kawasaki Heavy Industries and other Japanese engineering groups involved in aerospace have yielded little. The Japanese companies have remained wedded to co-operating with American makers, chiefly Boeing. They also have vague plans of independently developing large jet aircraft, although the prospects of commercial success are remote.

Mitsubishi confirmed yesterday that it had been approached informally by Airbus Mitsubishi executives li-

tered to a presentation but did not indicate whether they were interested, said the company. Mitsubishi was not involved in any study of the project.

Kawasaki said it had been approached but not formally asked to co-operate. Japanese makers had their hands full working on projects with Boeing and on independent Japanese schemes promoted by the Ministry of International Trade and Industry (MITI).

Neither aircraft have been co-developing planes with Boeing since the late 1970s. This year they signed an agreement for the co-development of a 350-seat jet, the 777 wide-body jet, which is due to go into service in 1996. Boeing is also interested in securing Japanese partners for its own super-jumbo, a potential competitor to Airbus's A350.

Japanese makers would go into production before the year 2000. For Japanese makers, Airbus' interest is welcome because it gives them a bargaining counter in their relationship with Boeing. European makers may have a better chance in co-operating with Japan on smaller aircraft.

Japanese airlines operate about 230 US-made planes and fewer than 30 European-made aircraft.

Phone plant for China

UNIDEN, a leading Japanese maker of telecommunications equipment, said yesterday it would open a ¥2.5bn (\$20.9m) factory early next year in southern China to produce telephones, writes Robert Thompson in Tokyo.

The factory, to be built in the Shenzhen special economic zone, will gradually replace the company's offshore telephone production facilities in Hong Kong and Taiwan, where labour costs have risen and profit margins have fallen.

The factory is expected to have about 2,000 employees, expanding to 5,000 when target production of about 400,000 mobile and portable units a month is reached after a year.

Uniden, which sells about 92 per cent of output in markets outside Japan, said that it had chosen Shenzhen because of the low cost of labour and preferential taxation treatment.

The company, which transferred production from Japan in the early 1970s, designs telephones and broadcasting equipment at its headquarters near Tokyo.

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Asean hopes rise for free trade area

By Victor Mallet and Peter Ungphakorn in Bangkok

MR Anand Panyarachun, Thailand's prime minister, yesterday expressed confidence that the Association of South-East Asian Nations (Asean) would agree on the establishment of a free trade area when the leaders of the six member states meet in Singapore in January.

In an interview Mr Anand, who has long championed the idea of Asean economic co-operation and who put forward the latest free trade proposals this year, said it was hoped Asean leaders could announce at the summit the phasing out of intra-Asean customs tariffs in some sectors within three to five years.

He accepted that previous efforts to integrate Asean economies had failed and that it was too early to talk of a single Asean market.

But he insisted the international climate was changing. "There was a very strong sense of competition among Asean countries and a very strong sense of mistrust," he said. "But in the past five years or so all Asean countries are in the process of deregulating and decontrolling their economies... the influx of Japanese foreign investment, the setting up also of hundreds of Japanese factories in Thailand, in Malaysia, in Singapore and hopefully the Philippines has made us more and more conscious of the need for some kind of loose integration process."

Mr Anand added: "All our economies - because we are export-led economies - have driven us closer and closer to the international global trading system."

Previous efforts to liberalise trade within Asean have failed because the member states - Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei - have generally protected domestic

producers from their regional competitors. At a meeting in Kuala Lumpur in October, however, Asean economics ministers endorsed Thailand's free trade proposals, although agricultural trade - a particularly sensitive issue - is being excluded from the liberalisation for now.

"It's a good first step," said Mr Anand. "We are concerned... about the need to increase inter-Asean trade, the need to increase inter-Asean investment and the need to attract more foreign investment into the area."

Mr Anand also said he hoped that a dispute with the US over intellectual property rights would be resolved by the end of the year; the only remaining points of tension were over the phasing-in period of Thai legislation to protect pharmaceutical patents, and over the bill's provisions allowing the government to force a patent holder to license a competitor in the event of overpricing.

Mexicans doubt US political will to press ahead with Nafta deal

Damian Fraser on the progress of tripartite free trade negotiations

When President Carlos Salinas of Mexico arrives in Washington in the middle of next month, high on his agenda will be the question of movement towards a North American Free Trade Agreement (Nafta), which appears to be under scrutiny from the Bush administration. Nevertheless, the US, Mexican and Canadian trade negotiators appear likely to decide before the end of the year whether to push for passage of a North American free trade agreement (Nafta) in 1992, or whether to postpone the US congressional vote on the agreement until 1993.

A senior Mexican government official said in an interview that the three sides "can finish the technical parts [of an agreement] by the end of January. If there is the political will", however, suggested the official, the political will of the US is still in doubt - and if it falters, the US administration will postpone the vote on an agreement until 1993.

If the US decides to delay the vote, negotiations would then be prolonged throughout next year, and an agreement presented to Congress after the November presidential elections. Thus no formal decision would have to be made about postponing the agreement. The Mexican official understands that the final decision on whether to push for an agreement in 1992 would depend on:

● The chances of a "double-dip" recession in the US. If the US economy deteriorates, the odds on pushing a treaty through next year fall, the official suggested. The administration could turn inward to focus on domestic preoccupations, and protectionist pressure-groups worried about companies relocating in Mexico could be harder to resist.

● The Gatt talks. If the Uruguay round stalls, the US trade officials may spend their energies trying to resuscitate it; however, the talks turn bitter, the US Congress may not have the time or inclination to consider another trade agreement in 1992. Even if the talks are concluded successfully, the US

administration could decide to focus energies in 1992 on pushing a Gatt agreement through Congress. Nafta would be left for 1993.

● The Mexican-American (Chicano) vote. If the Republican administration believes passage of Nafta in 1992 could divide Mexican-Americans from the Democrats, the US may still push for a treaty in 1992.

If the three sides decide to push for a vote on the agreement before November 1992, the absolutely last date a draft treaty could be ready is April 1 because of the US' complex trade legislation.

If the governments wait until 1993 before presenting the trade agreement, the US Congress may have to vote for a second time on the extension of "fast-track" authority, which expires in March 1993. The "fast track" authority prevents Congress from amending the finished legislation; the first vote on the extension, in May this year, proved bitterly contentious, although it was eventually passed.

The Canadian embassy official said his country was pushing hard for an agreement in 1992, since 1993 is an election year in Canada - and, as the official says "there is no question that the [US-Canada] FTA has been divisive in our society".

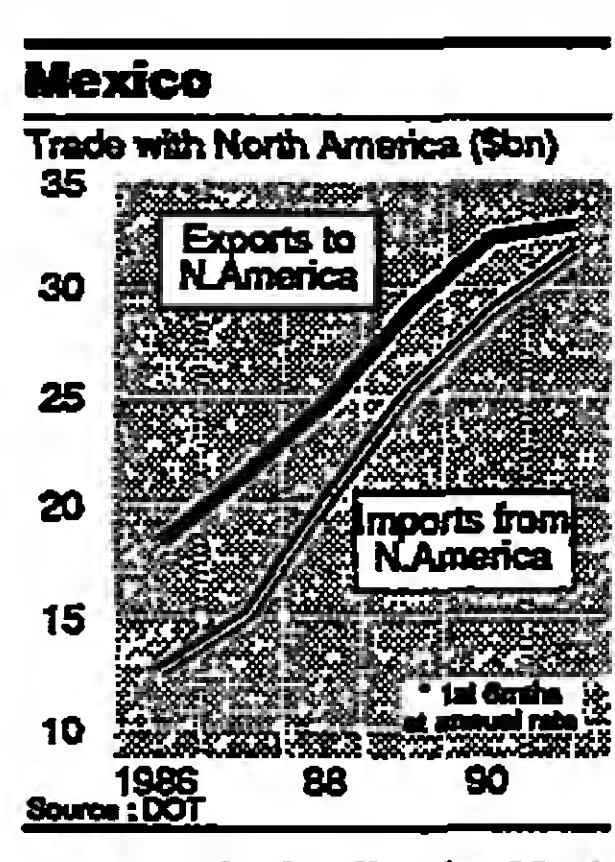
The Canadians are thus encouraging the Mexicans to press the Americans on pushing through an early agreement.

US IN COPYRIGHT PLEA

THE US Council for International Business is asking the Bush administration to use the Nafta talks, which include Mexico, to seek a rollback of the "cultural" exemptions granted to Canada in the US-Canada FTA, writes Nancy Dunne in Washington.

The Council said the exemptions hampered the ability of US copyright holders to do business in Canada.

"If Canada is to benefit from the increased liberalisation inherent in the Nafta [includ-



ment; undoubtedly the Mexicans would also like a treaty signed and sealed in 1992. The senior Mexican official readily accepts that the postponement of Nafta will reduce foreign investment in Mexico next year, and slow economic growth. However, he is relatively sanguine about Mexico's ability to cope with these effects. The continued focus on Nafta also has some political and economic costs within Mexico. As one Mexican trade official admits, "it is very costly for Mexican industry to focus on the agreement for ever" - and that the government would obviously prefer an agreement sooner rather than later.

Continual uncertainty over the progress of Nafta would be particularly damaging to Mexico's economy, since the government's economic policy

requires the continued inflows of foreign capital. The Mexican government reckons in its most recent forecast that the country will run a current account deficit of some \$12bn next year; this assumes a modest growth in the economy of just 4 per cent in 1992. The deficit would have to be financed by capital inflows of a similar magnitude.

The government's conservative budget for next year, which envisions a public-sector surplus of 0.5 per cent of GDP, reflects determination among some government officials to put a brake on the growth in the economy. The Mexican official said the government refrained from fixing the peso to the dollar two weeks ago (when the government decided to reduce the devaluation of the peso against the dollar from roughly 5 per cent to 2 per cent a year), in part because of worries over the future of Nafta, along with concerns over the state of the US economy. "To fix the currency" said the official "is an unnecessary risk now" - although eventually such a decision would be taken. The Mexican official claims to be surprised by how fast the negotiations have gone. Progress in the talks appears to have been swift on tariff reduction proposals; the three sides have made four counter-offers since September 19, and the differences in their original positions have narrowed considerably.

Still, huge differences remain. The three sides are still yet to define their own positions with respect to the car sector, widely believed to be the area of greatest conflict. The big US three car companies have pressed for local content rules from 60 to 70 per cent, which would discriminate against non-American companies, and for preferential treatment in Mexico.

The textile sector could also be a sticking point. The Americans originally asked for 40 years of protection for their textile industry. According to one official present, the Mexicans and Canadians present "laughed and fell over their chairs".

● FT Petrochemical Conference

Warning to EC on emissions tax

By Paul Abrahams

THE CHEMICAL industry has the worst public image of any sector other than the tobacco business. A prime reason is that companies are viewed as environmentally unfriendly.

Mr Clive Thompson, a vice-president at Arco Chemical Europe, told the Financial Times petrochemical conference in London yesterday that companies are viewed as environmentally unfriendly.

There are three mechanisms for promoting environmental improvement, explained Mr Thompson: obligatory controls; self regulation; and economic instruments such as taxes, levies, permits and financial incentives.

He warned, however, against the introduction by the European Commission of a tax on carbon dioxide emissions. It would be unlikely to create behaviour change, would be deflationary and would be a cynical source of government revenue, he argued.

EC countries, he said, emitted only 13 per cent of the world's carbon dioxide, and a "go-it-alone" approach was likely to damage the EC's chemicals industry with additional costs and bureaucracy.

At present, the additional cost of environmental protection measures in the UK can be conservatively estimated at \$400m a year, said Mr Thompson. To pay for the growth in environmental costs, the indus-

try needs to increase margins by 3.25 per cent, raise pre-tax profits by up to 30 per cent and improve return on capital by about 2.5 per cent.

There was a significant danger that near-mandatory environmental spending during the recession would consume an unsustainably high share of available capital, he argued. The poor current profitability of the petrochemical industry was only partly caused by the recession, Dr Philip Leighton of Trichem Consultants, said.

The recession had exacerbated a difficult position created by overcapacity and high feedstock prices. He said new investment in Europe - five new crackers and one restart - would lead to operating rates of only 85 per cent between 1992 and 1993.

Meanwhile, the loss of naphtha supplies from Kuwait had affected raw material prices. The uncertainty in the Soviet Union and increased demand from new crackers in Korea had also pushed up prices, according to Dr Leighton.

There were as many as 30 petrochemical plants which might come on stream in the Asia-Pacific region, said Ms Hiltra Tandy, editor of Chemical Matters. This could cause serious headaches for European manufacturers, she said.

Swedish group to update Latvian telephones

By Robert Taylor in Stockholm

TELEVERKET, Sweden's telecommunications company, has signed a letter of intent with the Latvian government to form a joint enterprise for modernising Latvia's telephone network. It was announced yesterday. A similar agreement was reached with Estonia, another Baltic republic, earlier this autumn.

It is hoped that both new companies will be in operation early next year but this depends on the willingness of the Swedish government to

assist the projects with financial backing.

More than SKr1bn (\$95m) will be required over the next two years in initial investment in radio links to international connections, fibre optic cables and telephone exchanges in Estonia and Latvia. Televerket believe it will take up to 15 years to bring the telecommunications systems to Swedish standards. It is hoped to install 40,000 telephone lines in Estonia and 75,000 in Latvia by the end of 1993.



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AMERICAN NEWS

NY budget gap threatens Cuomo hopes

By Martin Dickson in New York

NEW YORK'S deepening budget deficit problems are casting a growing shadow over the prospects of Mr. Mario Cuomo, the Democratic governor of New York state, running in next year's presidential election.

Mr. Cuomo, generally considered the strongest candidate the Democrats could field against President George Bush, has been publicly mulling an entry into the party's primary elections for weeks. But he has indicated that he will not run unless he is confident New

York's fiscal difficulties can be resolved.

Those difficulties deepened on Tuesday when officials said the gap in the state's budget for the financial year beginning next April could be \$2.6bn (£2bn) - double the previous estimate and more than 10 per cent of the total projected budget for 1992-93. The state faces a \$689m deficit for the rest of this year.

The new forecast was based on the assumption the regional economy, which is stuck in a deep recession, would continue

to worsen, depressing tax revenues and raising social services expenditure.

Mr. Cuomo, in an attempt to solve the fiscal problem and clear the way for a bid for the presidency, has proposed a novel multi-year budgetary process to the state legislature, tacking this year's deficit and next year's in a single package. However, the Republicans, who hold a majority in the state senate, have yet to respond to the governor's scheme - and, from the viewpoint of the national party, have every rea-

son to try to frustrate it.

Mr. Cuomo, however, argues that this week's increase in the projected deficit will force the legislature to go along with him, and plan the inevitable spending cuts in an orderly fashion well in advance, rather than carry them out next year in a crisis atmosphere.

New York's deteriorating fiscal position will provide further ammunition to those national Republican strategists who argue that Mr. Cuomo, far from being the Democrats' strongest candidate, would be

a godsend to the Bush camp, which could portray New York as the "crime-and-taxes capital" of the world.

However, Mr. Cuomo has been seeking to cast the Bush and Reagan administrations as the villains both for New York's ills - through their cuts in federal aid - and for the current national economic malaise. As one aide to the governor put it in an interview with *Newsday*, this week's budget crisis "either makes it impossible for him to run - or it makes it imperative".

Fears grow that Bush will back down on China

Lionel Barber and Nancy Dunne look at congressional suspicions

PRESIDENT George Bush's China policy is coming under fresh attack in the US, amid suspicions in Congress that the administration is about to back down on several important trade issues.

These suspicions have grown in the wake of the recent visit to Beijing of Mr. James Baker, US secretary of state. Although senior US officials deny that concessions were offered to the Chinese leadership, evidence is emerging of carefully crafted compromises.

Mr. Baker's trip - the first official senior US visit to Beijing since the Tiananmen Square massacre in 1989 - included 18 hours of talks on human rights, trade and arms control. The talks occurred as House-Senate talks were delicately poised on language placing conditions on the renewal of most-favoured-nation trade status for China.

Last July, Mr. Bush secured support for MFN in Congress in return for backing Taiwan's entry into the General Agreement on Tariffs and Trade regime, in addition to China's, pressing the Beijing government to clamp down on piracy of American computer software, and a commitment to tackle China's unfair trade practices, including the use of prison labour.

In addition to these trade issues, one of the most important goals of Mr. Baker's trip was to secure Chinese agreement to subscribe to the Missile Technology Control Regime (MTCR) - the international regime which seeks to restrict the spread of advanced technology which could be used in chemical and nuclear weapons projects.

The issue is pressing because of reports that China would like to sell M-4 and M-11 missiles to Syria and Iran, a move which would undercut US efforts to broker a peace settlement in the Middle East and introduce new instability in a region already choked with weaponry.

Mr. Baker also came to Beijing in search of support for US-led efforts to persuade North Korea to open up its nuclear processing facility at Yongbyon and disavow any attempt to build a nuclear device.

But China has promised on several occasions to subscribe to MTCR. After the reports of prospective missile sales to the Middle East surfaced in July,

the US imposed sanctions on two Chinese companies and on the licensing of high-speed computers and satellites for China.

During a news conference last Sunday, Mr. Baker said the Chinese had declared their "intent" to observe the MTCR, and that the two sides had an "understanding" that this covered M-9 and M-11 missiles, and he suggested that dropping trade sanctions might be a price worth paying.

But Senator Max Baucus, one of the most influential Democrats on trade issues, said this week he wanted China to go further than an understanding and actually sign the Nuclear Non-Proliferation Treaty and the MTCR.

On computer software piracy, Mr. Baker said China had made "positive" proposals, but he offered no detail. A Chinese delegation is expected to arrive in Washington today to offer more details. If there is

no agreement by November 26, the US could impose sanctions under the "Special 301" provision of US trade laws.

The US is also demanding more access to the Chinese market under a Section 301 complaint brought last month.

On Taiwan's membership of GATT, Mr. Baucus asked whether Mr. Baker might have promised not to push Taiwan's membership in GATT before Beijing is ready. In response, US officials assured him that the US would formally request the formation of a Taiwanese working party at the December meeting of the GATT council, the first step to membership.

In the coming weeks, more detail should emerge about Mr. Baker's mission. However, for all the controversy over Mr. Bush's China policy, opponents still appear to lack the congressional votes necessary to override a veto of legislation imposing stiff conditions on China's MFN status. Thus, insiders say, the legislation will not make it to the president's desk this year.

US housing figures improve

By Michael Prowse in Washington

A STRONGER-than-expected rise in US housing starts in October yesterday broke a run of recent bad news on the economy.

The Commerce Department said starts rose 7.3 per cent to a seasonally adjusted annual rate of 1,096,000, the highest level since last November. Financial markets had been expecting a small decline in starts, in line with other evidence of a stagnant economy.

The department revised down its estimate of starts in September, to show a fall of 2.3 per cent.

Last month's rebound was broadly based. Starts rose in

all regions and for all types of residential structures. Building permits - seen as the best guide to future construction trends - rose 5 per cent to register their second consecutive monthly increase.

Starts have trended higher since January, when they were running at an annual rate of only 847,000. Last month's unexpected advance - which could reflect the lagged effects of cuts in interest rates - is unlikely to prompt revisions in forecasts which point to sluggish growth of at best 1.2 per cent in the current quarter.

However, firmer signs of recovery may be seen as reduc-

ing the likelihood of a "double dip" recession involving a fresh decline in gross national product.

Economists will closely scrutinise figures for new homes sales, due out later this month, for confirmation of a recovery in housing. Sales of new homes fell sharply in August and September.

Mr. Robert Brusca, chief economist at Nikko Securities in New York, said the figures, volatile on a monthly basis, did not suggest housing would drive the economy forward. There had been no snap back in consumer confidence, he warned.



Sotheby's record price for a Latin American work of art - the \$2.42m paid for a late 19th-century view of Mexico City by José María Velasco - stood just 24 hours. Antony Thorncroft writes. At Christie's in New York on Tuesday a painting by Diego Rivera of a flower seller, "Vendedora de Flores" (above), made \$2.97m (\$1.67m). Christie's auction was marked by the failure of a mural of present-day Mexico by David Alfaro Siqueiros, estimated at up to \$2m, to find a buyer. It was built into a house in Los Angeles but could be moved, with care. A portrait of a child by Rivera sold for \$805,000.

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Leading the way in Energy Management

White House pressed on Soviet food credits

By Lionel Barber

PRESIDENT George Bush was yesterday facing growing pressure to approve an additional \$1.5bn (£940m) in food credits to the Soviet Union to buy US grain this winter.

Senior Republican and Democrat senators warned of an impending political and social crisis in the Soviet Union and urged Mr. Bush to lend decisive support.

The White House has hesitated to approve further credits after Congress voted down a

plan to offer \$1bn humanitarian aid last week.

Uncertainty over the Soviet republics' willingness to assume responsibility for the country's \$64bn debt has also delayed the package.

Senator Richard Lugar, the influential Republican, said: "We simply must not be frozen at this point in time. History will judge us and the American people will judge us, particularly in the next generation if we do not do something now."

Court told of cocaine cartel link with Cuba

By Henry Hamman in Miami

A SENIOR member of the Medellín cocaine cartel said yesterday the cartel had a business arrangement with Cuban officials to ship cocaine from Colombia to the US via Cuba in the 1980s.

Mr. Carlos Lehder Rivas, now a prisoner in the US, made the claim in testimony at the drug-trafficking trial of former Panamanian leader General Manuel Antonio Noriega in Miami Federal District Court.

He said Cuban officials also supervised an agreement for the transshipment of cocaine to the US via Nicaragua under

the Sandinista regime.

Mr. Lehder said the Medellín cartel had agreed with Gen. Noriega in 1982 for protection of its operations in Panama, which he said included money laundering, transshipment of drugs and the shipment of chemicals to Colombia for the manufacture of cocaine.

In March 1984, the cartel paid Gen. Noriega \$5m (£2.8m) for permission to build a laboratory. Later that year, after the cartel ordered the execution of the Colombian justice minister, cartel members were given safe haven in Panama.

INTERNATIONAL NEWS

US survey sheds light on Japan's barriers

By Charles Leadbeater, Industrial Editor

JAPANESE government policies are among the least significant obstacles which US companies face in their attempts to break into Japan, according to a detailed survey by the American Chamber of Commerce in Japan.

The survey of 340 leading US companies with operations in Japan, found that 65 per cent cited high fixed costs, particularly land and housing, as a factor limiting their penetration of the market.

About 52 per cent said difficulties in recruiting skilled staff were a factor, 51 per cent said US businesses' problems were the product of their own mistakes and 44 per cent said US companies did not try hard enough. Only a quarter of the respondents said government policies were inhibiting trade and investment.

The survey, conducted by AT Kearney, the management consultants, casts doubts on claims made by some US politicians that Japanese trade policies are an important barrier to foreign companies seeking to enter the Japanese market. The study comes amid renewed concern over the size of the Japanese trade surplus with the US.

Although the survey found a marked improvement in the environment for foreign companies doing business in Japan, the companies said they still faced important obstacles.

About 84 per cent of companies said Japanese government procurement practices were biased against foreign firms, although only 6 per cent said their Japanese competitors had access to subsidies which were not available to foreign groups. Almost half the US companies said the intricate web linking some Japanese companies and their suppliers were a significant factor.

Trade and Investment in Japan: The Current Environment. American Chamber of Commerce in Japan, Fukide Building No 2, 4-1-21 Toranomon, Minato-ku, Tokyo 105 Japan or AT Kearney, 130 Wilton Rd, London SW1V 1LQ.

Hyundai tries to weather tax storm

John Ridding reports on a test of strength in Seoul for a £106m bill

ORDEALS But No Failures is the title of the autobiography published last month by Mr Chung Ju Yung, founder and honorary chairman of the Hyundai Group, one of South Korea's largest conglomerates.

After the events of the last few weeks - which saw Mr Chung, his family and 10 Hyundai Group subsidiaries levied with penalty taxes of a staggering won 136bn (£106m) - Korea's best-known businessman is facing his biggest ordeal yet.

The penalty, imposed for irregular share transactions and the avoidance of inheritance taxes, has brought Hyundai into direct confrontation with the government and put a substantial financial burden on the group. Perhaps more importantly, it has come to represent a test of strength in the increasingly strained relationship between the administration and the chaebol, the large, family-owned business groups which dominate the economy.

The tax investigation into Hyundai had been steadily gaining significance since the surprise revelation in the national assembly last month that the National Tax Administration was investigating the company's affairs. But it entered a new and much more serious phase this week when Mr Chung announced that he was unable and unwilling to pay. "Hyundai simply does not have the money to pay, and we have no intention of paying,"

SOUTH KOREA'S LARGEST CONGLOMERATES 1990*

	Sales \$bn	Exports \$bn	No. of affiliates and subsidiaries
Samsung Group	43.4	13.7	46
Hyundai Group	39.6	5.9	42
Lucky Goldstar	25.0	7.8	62
Daewoo Group	16.0	4.8	24

*Sales figures converted at 1990 average exchange rates. Source: company figures.

he said, adding that he would appeal against the penalty, the largest imposed on a Korean business group.

The response from the tax authorities and from other government departments was swift and strong: "If they do not pay by the deadline (December 10), then we will have to start confiscating assets," said a tax administration official. Mr Kim Chong In, senior economic adviser to the president, declared: "An enterprise cannot reject the government's imposition of taxes."

The scale of the penalty and the tense stand-off has understandably sent jitters through the shares of group companies. On Monday, shares in all but two of the 17 Hyundai companies listed on the Korean stock exchange fell, and many declined by the maximum daily limit.

Yesterday, however, saw some recovery. Hyundai Motors, Korea's largest car manufacturer, gained won 300 to close at won 25,800. It had fallen by won 1000 on Tuesday. Improvements were also recorded at Hyundai Cement and Hyundai Engineering. The

movements in the market reflect a perception that, while Hyundai may have difficulty in raising the won 136bn, the survival of the group is not threatened and there may be some compromise with the government.

This perception is supported by a number of considerations. On one hand, Korea's current economic difficulties - which range from a ballooning current account deficit, sluggish exports, and near-double digit inflation - mean that the government cannot afford to threaten the survival of one of the country's largest business groups.

With about 176,000 employees, exports last year of \$5.9bn (almost 10 per cent of Korea's total exports) and a host of smaller companies dependent on orders from Hyundai subsidiaries, difficulties at Hyundai Group would be felt across the economy.

At the same time, the group is capable of absorbing the burden. The amount requested, while high, represents a fraction of Hyundai's assets.



General Colin Powell (left), chairman of the US joint chiefs of staff, meeting his South Korean counterpart, Gen Chung Ho Kan, in Seoul yesterday during the annual US-Korean security talks

N Korea in nuclear curb talks

NORTH Korea agreed in principle yesterday to keep nuclear weapons off the Korean peninsula, South Korean government sources said, AP reports from Seoul.

The agreement, of which there was no official confirmation, reportedly came at a border meeting between officials drafting an accord for December talks between the prime ministers of North and South.

The development, which followed months of pressure from the US and other countries, came during a visit to South Korea by Mr Dick Cheney, the US defence secretary. US officials have called North Korea's nuclear programme the biggest threat to security in Asia.

General Colin Powell, chairman of the US joint chiefs of staff, was also in Seoul for talks with his South Korean counterpart.

However, there was no word from North Korea that it would relax its longstanding refusal to allow inspection of its nuclear facilities, as demanded by western powers. One source cautioned that it was premature to believe the North would accept inspections soon, but saw the agreement as hopeful. Without acknowledging it had such armaments, the communist North agreed at the border meeting to call for the elimination of nuclear, chemical and biological weapons, according to the sources.

Watchdog reprimands the Big Four over scandal

By Stefan Wagstyl in Tokyo

JAPANS' Big Four stockbroking groups, which have been embroiled in scandal this year, were yesterday reprimanded by the country's Fair Trade Commission.

The FTC, delivering its judgment on the compensation the brokers paid to favoured clients for trading losses, urged the Big Four brokerages to stop "unfair business practices". The commission ruled that the brokers had broken the Anti-Monopoly Law because the payments amounted to soliciting busi-

ness by unfair means. The ruling, the severest judgment that the FTC can make, completes the commission's investigation of the scandal.

The ministry of finance, which earlier carried out its own investigation and imposed punishments, said no further penalties would be meted out because the FTC's findings were the same as the ministry's.

The Big Four brokerages are Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities.

US and Pakistan discuss row

By Farhan Bokhari in Islamabad

A SENIOR US official yesterday completed two days of talks, described as cordial, with Pakistani leaders and was due to leave for New Delhi today.

The US cut off military and economic assistance to Pakistan last year after allegations that the country had acquired the capability to manufacture nuclear weapons. Pakistan denies the charge. Islamabad has also refused to open its nuclear facilities for international inspection unless India does the same.

Mr Reginald Bartholomew, under-secretary of state for

international security, is the most senior US official to visit Pakistan since Washington suspended its programme of military assistance.

Mr Bartholomew held talks with President Ghulam Ishaq Khan, the prime minister, Mr Nawaz Sharif, and the army chief, Gen Asif Nawaz Janjua.

A US embassy spokesman in Islamabad said: "The under-secretary stressed in his meetings that the US views Pakistan as an old and valued friend and wants to pursue the best possible relations."

Among topics discussed were nuclear proliferation, the situa-

tion in Afghanistan, chemical weapons and other regional concerns.

Earlier this year, Pakistan proposed that the issue of nuclear non-proliferation should be resolved in a regional context through an arrangement that would apply to all countries in South Asia. Mr Bartholomew is expected to discuss the nuclear issue during his talks in New Delhi.

Mr Bartholomew will hold two days of talks in New Delhi focusing on the nuclear issue and Washington's backing for regional non-proliferation.

India withdraws offer to Iranians of N-reactor

INDIA has withdrawn an offer to sell a nuclear research reactor to Iran after stiff criticism in the United States, a senior official said yesterday. Beuter reports from New Delhi.

A decision has been taken at the highest level not to sell the reactor to Iran, a senior official in the ministry of external affairs said. Earlier, a foreign ministry spokesman confirmed that preliminary discussions had been held with Iran over the proposed sale of a 10-megawatt nuclear reactor.

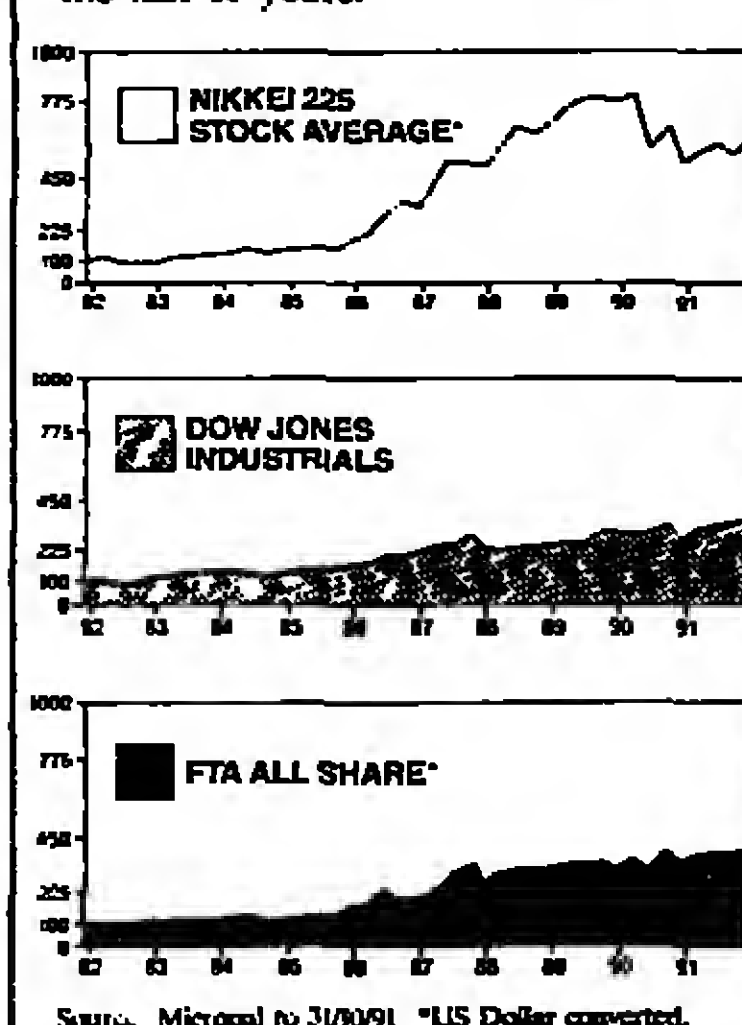
The US last Friday expressed concern over the proposed deal. The state department spokesman, Mr Richard Boucher, said that US assistant secretary of state, Mr Edward Djerjian, had raised the matter with Indian ambassador to Washington, Mr Abid Hussain.

"The United States has urged all nuclear supplier countries, including India, to avoid any form of nuclear co-operation with Iran, even under safeguards," Mr Boucher said. "There is not adequate evidence that Iran is genuinely committed to the exclusively peaceful uses of nuclear energy," he said.

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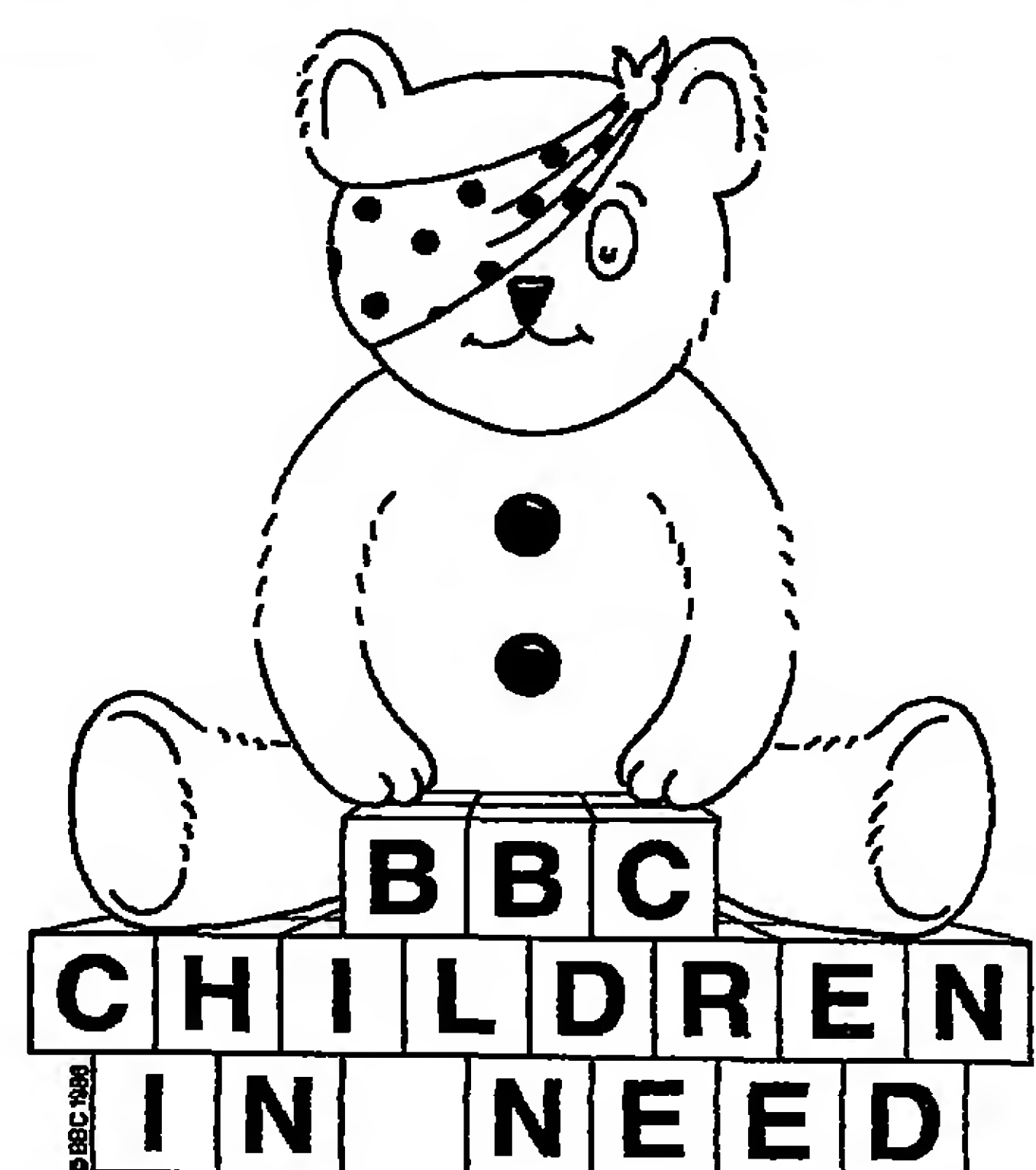
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The BBC's annual appeal for children in need is widely supported in Europe as well as the UK. Phone-in centres have been organised for the last few years in both Amsterdam and Brussels with the money raised through them being split equally between the host country and the main UK fund.

To find out how to make your donation to the appeal, in Holland or Belgium, you can either call the special phone-in numbers throughout the evening of Friday 22nd November, or call the relevant recorded information number between 11 November and 6 December.

These numbers are:

Holland	Phone in centre	020 6760711
	Recorded info	06 350 24045
	(charged at 50 cents per minute)	
Belgium	Phone in centre	02 236 6333
	Recorded info	077 345 405

Cicippio 'will be freed' within a week

Fate of hostages 'no longer linked to Israel'

By Lara Marlowe in Beirut

SHEIKH Abbas Musawi, secretary general of the pro-Iranian Hezbollah movement, said yesterday the liberation of western captives in Lebanon was no longer linked to the fate of Arab prisoners held by Israel.

The announcement was made as the official Iranian news agency IRNA predicted that American hostage Joseph Cicippio would be freed within a week.

Mr Cicippio, the comptroller for the American University of Beirut, was kidnapped from his apartment building on the university campus in September 1985.

"The issue of the Israeli prisoners and their swap (for Arab detainees) is a totally separate issue from that of the hostages," Sheikh Abbas said at a press conference in Beirut's southern suburbs. He gave no explanation for the reversal of the kidnappers' position, other than to say that "Israel is seeking a settlement". He reiterated earlier claims that Hezbollah was not involved in hostage-taking.

A person close to the kidnappers said "the hostage file is closed" and neither the Israelis nor an American attack on Libya could affect the sched-



Musawi: no explanation

Iraqi invasion. The kidnappers' demands then shifted to more than 300 Arabs held by the Israelis, most in Khiam prison in southern Lebanon. The Israelis freed 66 Arabs this autumn in exchange for western hostages, the body of one Israeli soldier and confirmation of the deaths of two others.

The Israelis have become concerned that four service-men still missing were being excluded from the hostage deal negotiated by Mr Giandomenico Picco, the United Nations envoy. Mr David Levy, the Israeli foreign minister, said yesterday that "the humanitarian mission undertaken in Lebanon... must not result in discrimination between the Israeli and other hostages held in Lebanon."

Lebanese officials claim to have evidence linking Israel to the November 8 bombing of the American University of Beirut, according to newspapers published in Beirut yesterday. The car-bombing killed one person and destroyed the university's finest 19th century building and clock tower. It was allegedly carried out by Lebanese under the orders of the Israeli-financed South Lebanon Army.

UK urges Kenya to release critics

By Julian O'Zanne in Nairobi

BRITAIN yesterday urged Kenya to release government critics arrested last weekend and repeated calls for it to tolerate legitimate dissent. The call came as Kenyans broadly approved the unexpected sacking of Mr Nicholas Biwott, the minister who was once the second most powerful man in the land.

In the strongest statement made so far by a British official, Mrs Lynda Chalker, overseas development minister told parliament: "We have told the government that oppression of opposing views is not the way forward and we have called upon them for further progress towards democracy."

Her comments followed the dismissal on Tuesday of Mr Biwott, president Daniel arap Moi's closest ally and a powerful figure in the government. Mr Biwott has been named as a prime suspect in the murder of Dr Robert Ouko, the former foreign minister.

Mr Biwott has denied the allegations of murder and corruption levelled against him as "foreign propaganda". The dismissal should encourage political debate on corruption and the need for a multi-party democracy, while leaving senior government officials wondering if they are next to be axed.

Mr Biwott, who held the energy portfolio for nine years before his recent shift to industry, is widely regarded as using his extensive influence on the

president to resist calls for political change. His sacking, many Kenyans believe, has strengthened the hand of reformers in the government.

Western donors, who meet in Paris next Monday to discuss, among other things, the impact of corruption on the economy, were expected to welcome his removal.

Concern about the way Mr Biwott ran the energy ministry and executive multi-million dollar projects had also led to the World Bank holding back a \$140m-\$160m loan to the energy sector.

Britain decided earlier this year not to send an aid shipment of oil to Kenya because of allegations of corruption. Records in the companies department of the attorney-general's office in Nairobi show that Mr Biwott first entered the business world in 1975 in partnership with Mr Moi in a company called Lima originally formed to import agricultural machinery. Mr Biwott was vice-president of Kenya and Mr Biwott was his private secretary. How this initial business relationship has developed over the years is unclear.

Mr Biwott went on to develop a beneficial interest in Prudential Assurance Company, HZ Construction, Kobil and Kenol, two petroleum distributors, Air Kenya, a large indoor shopping centre, and several other lesser companies.

Heavy casualties in Somali civil war

HOSPITALS in the Somali capital Mogadishu are admitting more than 300 casualties a day as a result of intense fighting between rival groups of soldiers, the charity Medecins Sans Frontieres (MSF) said yesterday. Reuters reports from Brussels.

MSF said the population of part of the city was cut off from medical help by the fighting between forces loyal to General Mohamed Farah Aided and troops supporting his arch-rival, interim President Ali Mahdi Mohamed.

MSF said its teams had been working non-stop since last Saturday to cope with the wounded in hospitals and to distribute medical supplies to clinics.

Reports reaching the Kenyan capital Nairobi on Monday said that Gen Aided's men had ousted his rival after two days of vicious street fighting.

On Tuesday, aid workers and diplomats reported that troops loyal to Gen Aided appeared to be in command of most of the city.

Oxfam urges western help for Iraqis

By Stephanie Gray

MILLIONS of innocent Iraqis are suffering from disease, malnutrition and contaminated water, while voluntary agencies alone are unable to solve problems caused by destruction in the Gulf war, Lord Judd, the director of the British charity Oxfam, said yesterday.

Lord Judd called on western governments to recognise the scale and nature of the crisis and accept responsibility for tackling it.

His comments coincided with Baghdad's release of a billion dollar shopping list of medicines it says it cannot buy because of western clamps on its assets.

The list was made available as Prince Saddam al-Agha Bin, overall commander of the UN relief operation in Iraq, opened talks with Iraqi officials on the effects of the UN's continuing trade blockade.

Prince Saddam al-Agha Bin, the Iraqi foreign minister, at the start of three days of talks about UN terms for Iraq to buy food and drugs it says it urgently needs.

He is also due to discuss the expiry at the end of December of the UN's mandate to station relief agencies in Iraq to cope with the human aftermath of the Gulf war.

Under the terms of the sanctions, imposed after Iraq's invasion of Kuwait in August last year, Baghdad is allowed to buy any food and drugs it wants but complains it cannot because Western governments have frozen \$4bn of its assets.

Baghdad is angry about a Security Council resolution which would allow it to sell \$1.4bn of reserves over six months to pay for such imports, but under strict monitoring by UN staff inside and outside Iraq. Baghdad says this is unacceptable interference.

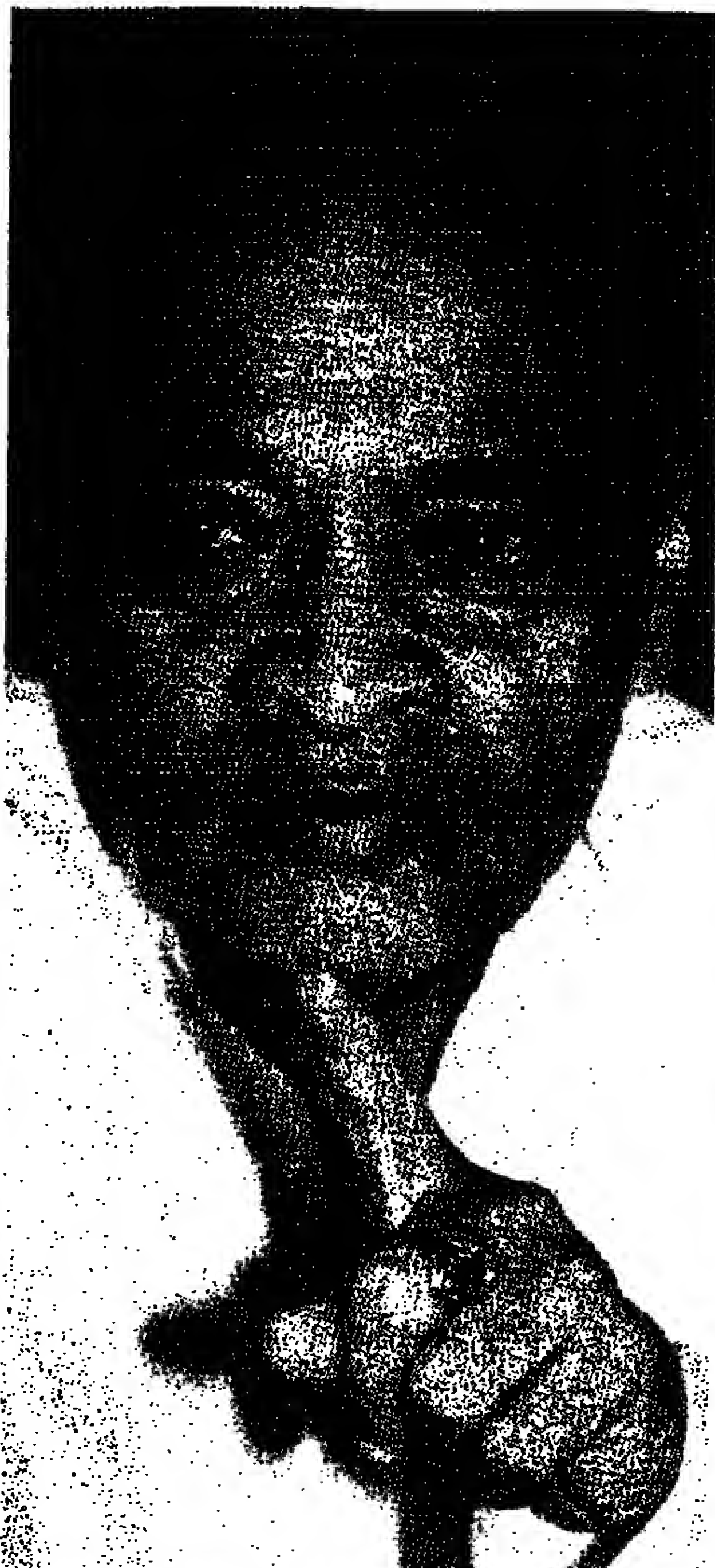
Iraqi officials claim they have carried out Gulf War ceasefire terms on the scrapping of Iraq's weapons of mass destruction and that the embargo should now be lifted.

Lord Judd, back from a week's visit to Iraq, said Oxfam was concerned also about the long-term effects of malnutrition on a generation of children who would never develop their full intellectual potential. Babies of between one and six months often weighed only six pounds.

Iraqi doctors say infant mortality has more than doubled because of drug shortages while malnutrition is rife in poor areas and drinking water is contaminated because of bomb damage.

Oxfam believes between 7m and 8m Shiites in the south are at far greater risk than the 3m Kurds in the north. There are far fewer voluntary agencies working in the south and less access for those that are. Lakes of sewage are commonplace and diarrhoeal diseases rife.

Iraqi officials and voluntary agencies alike had been frustrated at delays involving material such as large machinery, needed to re-establish clean water supplies, but held up for fear that it might be used "for something else."



Rao: he won a place in the Guinness Book of records with a 580,000 majority in his Andhra Pradesh constituency

Poll victory makes Rao more cautious than ever

Indian premier moves slowly on public sector reform after record win, reports David Housego

ELECTORAL success brings out boldness in some politicians. In others it seems to reinforce their determination to follow their own gut instincts.

Mr Narasimha Rao, 70, India's prime minister, is by nature a cautious man who prefers compromise to confrontation.

The sheer gravity of the economic crisis he faced when he came to power in June shocked him into an uncharacteristically radical package of devaluation and trade and industrial deregulation.

But his personal by-election triumph at the weekend - when he won himself a place in the Guinness Book of Records with a 580,000 majority in his Andhra Pradesh constituency - seems to have revived his confidence in his own preference for prudent change.

His message to industrialists this week has been that in tackling the potentially explosive issues of overmanning in industry and of improving public sector efficiency and competitiveness he intends to tread warily. He said he understood labour's fears and wanted to allay their misgivings.

In sharp contrast to Pakistan, which is selling off more than 100 state-owned industries and banks, Mr Rao ruled out as "premature" any transfer of management to the private sector of India's nationalised industries or banks. Dr Manmohan Singh, the finance minister, added that he wanted to avoid the financial scandals that have accompanied Pakistan's hasty sell-off. Over the retrenchment of workers in a public sector where excess labour is probably close to 1m,

Mr Rao wants to achieve a consensus with unions which are being brought face to face with the inability of the government to finance indefinitely loss-making units.

His caution, nonetheless, dismayed many foreign and Indian industrialists who believe that a far more radical shake-out of the public sector - whose size and dominance inflates costs throughout Indian industry - is necessary to improve competitiveness and export performance. Without a bolder approach, India also seems unlikely to attract the foreign resources and technology it needs to achieve a big restructuring.

Rao feels his consensus approach has served him well in defusing tensions over caste and religion.

But Mr Rao feels that his consensus approach has served him well in his first four months of office in defusing tensions over caste and Hindu-Muslim controversies. He faces opposition to international Monetary Fund-style policies within his own Congress party. He has failed to get trade unions to call off a one day national strike on November 29 to protest at threatened job cuts and privatisation and fears that this could trigger off more widespread industrial disruption. Labour is apprehensive because India has no history of retrenchment and plant clo-

sures. Mr Jyoti Basu, the Marxist chief minister of West Bengal, publicly urged the prime minister to postpone the closure of seven loss-making industries in West Bengal. In a letter to the prime minister, he asked him to desist from decisions "which are bound to do more harm than good".

But if Mr Rao seems hesitant over industrial restructuring, he has left no doubt of his commitment to macroeconomic stabilisation and to maintaining the momentum of liberalisation.

The 1992-93 budget which the government is to present in February will further cut the budget deficit to 5 per cent of gross domestic product while initiating a medium-term programme of tariff cuts to reduce protection and stimulate competition. Officials are now talking the rupee being made convertible in trade transactions much sooner than the three-year horizon established in June.

The government expects to take up the issue of financial sector reform after receiving this week the report of a specialist committee. With privatisation of state-owned banks ruled out, the emphasis will be on creating new private banks. The other area where the government is moving slowly is in removing the bottlenecks to growth that stem from power shortages and from poor telecommunications. There was little sign at the investment and privatisation conferences being held in New Delhi this week of a change in tack that would bring forward substantial investment in these sectors from the private sector or abroad.

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FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

South Africa's electricity is the key to economic prosperity in Southern Africa

John Maree, Chairman of the Electricity Council talks to John Spira, Finance Editor of Johannesburg's Sunday Star.

Spira: What is Eskom?

Maree: Eskom supplies more than half the electricity used in the entire African continent. It is one of the ten largest utilities in the world. At the end of 1990, Eskom's total assets stood at R39 billion. Revenue for the year was R11 billion. Eskom employs 50 000 people. It is an equal opportunity employer; a monogamy.

Another dimension is that people without electricity cannot participate in the economy. Studies have shown that if we embark on a major electrification programme we could create between one and two million extra job opportunities. The potential arises from households with given electricity, would buy appliances from manufacturers. They in turn have to produce the items, leading to employ extra labour.

But in mind, too, the many spin-offs on the quality of life such as on education and the impact on population growth.

Spira: Does the economic growth to which you refer include South Africa?

Maree: South Africa is the regional platform for development, because it has the facilities and the skills. Increasingly, the world is saying that Africa can be developed only through South Africa. An executive of a big US corporation recently told me: "We aren't going to have an office in Harare, Lusaka or Nairobi. We'll have one office in Johannesburg and our Johannesburg people will look after Africa."

There's little doubt in my mind that Johannesburg will become the capital city of Africa, because South Africa is the continent's only country able to provide world class facilities for the maintenance of sophisticated machinery, modern medical facilities, electronics, technology and agricultural expertise.

With the collapse of the Eastern Bloc, Africa can no longer turn to Eastern Europe for support. Their only logical option is to turn to South Africa. We have to gear ourselves to supply that help.

This applies especially to electricity. South Africa is Africa's only substantial market for electricity. Africa has a lot of generating potential, so if we can link the market to a facility for producing electricity, Africa could benefit.

We've done a lot of work in this direction and have established many links. Africa is turning increasingly to South Africa for its electricity needs. Ultimately, a Cairo-Johannesburg axis is possible.

Spira: Can South Africa meet Africa's expectations?

Maree: Probably not, because South Africa hasn't got the capital that Africa needs. But it may happen that more development funding comes to Africa through South Africa because of our management capabilities.

Spira: You've been a strong proponent of the informal sector of the South African economy. How do you see this sector evolving?

Maree: Blacks have a great deal of business acumen. But they lack the necessary experience. We'll have to help them as they move up the ladder to bigger businesses. It's happening already in several spheres. For example, banks run by blacks are being established with the help of existing large, long-established banks.

Spira: Eskom is an independent self-financing business. Technically it is not government owned, though it is governed by the Electricity Council, which is appointed by the government. Do you see a different dispensation under a new government?

Maree: Government leaves the running of Eskom to the Electricity Council. In a future dispensation, if we continue to do our job well, there'll be very little desire to interfere. Eskom's best guarantee of continuing independence is to act efficiently and responsibly.



John Maree

Eskom is seen by its customers and the general community as being capable and fulfilling its task efficiently.

Yes, we'll probably see changes; but not radical changes, because the current system works well.

Spira: Eskom has recently reduced its staff complement, yet sees itself as a creator of jobs. Can you elaborate?

Maree: South Africa's economic growth will depend on each and every organisation being efficient. That's how the nation will create jobs - not by featherbedding.

If Eskom can be efficient, we'll enable our consumers to be efficient and competitive and they'll automatically create more jobs. It's simply a process of relying on the market system rather than a centrally controlled economy.

Spira: When will South Africa's economy emerge from recession?

Maree: I believe we're at the bottom of the cycle, with higher growth rates on the cards for next year. Just how strong that growth will be will depend on foreign investment, the inflow of capital and our competitive situation - factors which I suggest are on the relatively near horizon.

Spira: Accelerated electrification, particularly of black areas, has been Eskom's focus for some time. What has been achieved?

Maree: We've made immense progress technically in getting electricity out there cheaply. We've cut costs way down, thanks to the introduction of improved technology such as prefabricated boards and the prepaid meter. Last year we electrified 35 000 homes.

Part of this progress has been achieved by demonstrating how communities that have electricity have benefited. For example, we recently installed electricity for a community in an isolated rural area. Within months it had a better producing 2 500 loaves of bread a day, a butcher selling fresh meat because he had a fridge, a large welding works and similar enterprises. It all made for a clear understanding of the importance of electricity.

We've also learned that you need to take the community with you. They must want it and be prepared to pay for it. A large electrification program can only be sustained if it is done on a viable basis, and for it to be viable, the users must pay for it. Recently that has proved to be a problem in certain communities. The prepaid meter is solving the problem. It ensures the supply of electricity by putting it under the consumer's control, seeing as it does like a motor car's petrol gauge by showing him how much he has left. More importantly, a feature of the meter is a light, which flashes faster the more electricity is consumed. The prepaid meter is helping to break the non-payment logjam and helping the consumer to satisfy his energy needs at an affordable cost.

Unfortunately, with straight commercial money only, it will be difficult to make it viable to supply electricity where the customers are mainly small households consuming limited amounts of electricity. We'll need a mixture of commercial money and development money and we're exploring the possibility of raising international money for this purpose. Eskom aims to go to foreigners with projects aimed at communities which they've expressed a desire to help. We're busy building up a series of models to show them how it works and how it changes the lives of the community.



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By: BankAmerica Trust Company of New York as Fiscal Agent

Dated: November 21, 1991

UK NEWS

R-R wins £100m US order for engines

By Andrew Taylor, Construction Correspondent

ROLLS-ROYCE, the UK aero engine company, has won an order worth up to £100m to supply US Air with RB111-538 engines to power a fleet of up to 30 Boeing 757 aircraft.

The order reinforces Rolls-Royce's dominant position in the 757 market. The airline is to acquire the aircraft over the next 6 years. Pratt & Whitney of the US, part of United Technologies, is Rolls-Royce's only competitor for the twin engine medium to long haul 757 jet.

So far 35 airlines, three-quarters of those operating 757s, have ordered British engines. The latest contract brings the number of Rolls-Royce powered 757s delivered, or ordered, to 403.

US Air is the fifth US carrier to operate 757s with Rolls Royce engines. It has ordered 15 new 757s for delivery in 1993-94 and taken an option on 15 more.

The airline will also lease 10 former Eastern Airline 757s powered by the 40,100 lb thrust 535 engines. Other US airlines using 757s with Rolls Royce engines include American Airlines and America West. US Air said it will use the new aeroplanes to expand services in existing markets.

The choice of British engines by another leading US airline may soften some of the disappointment felt by Rolls-Royce over its failure to secure more orders for its Trent engine.

HEALTH AND SAFETY EXECUTIVE

Companies face large losses on work accidents

By Diane Summers, Labour Staff

UK COMPANIES are seriously under-estimating the total potential costs of industrial accidents, the Health and Safety Executive warned yesterday.

The executive said some companies face uninsured losses up to 27 times the amounts they pay in employers' liability insurance. These losses, most of which cannot be covered by insurance, stem from lost production time, damage to equipment and employees' time taken up in dealing with accidents.

Mr Tony Lineham, HSE chief inspector of factories, said the financial losses were "an economic haemorrhage which business cannot sustain".

The minimum cost to industry from accidents is currently calculated to be £2.5bn a year. Two people are killed every working day and 3,500 suffer significant injuries at work, with working days lost totalling 31m last year, said HSE.

Indications from HSE's latest research are that the true cost of industrial accidents could be much higher than previously realised. Initial findings of a detailed study suggest that uninsured losses amount to between six and 27 times what companies are paying out in insurance premiums.

There has been a two-thirds increase in real terms in employers' liability insurance costs over the past decade and a doubling of claims since 1985,

according to figures supplied by the Association of British Insurers, said HSE.

Mr Steven Bird, analyst with securities house Smith New Court, confirmed that premiums for employers liability insurance had increased by 20 per cent last year, compared with the year before. It is estimated that employers will pay out a total of about £570 this year for employers liability cover.

Mr Lineham said that losses to industry from accidents were "not inevitable, and experience has shown that real and substantial improvements can be achieved," with the proper application of health and safety management systems.

Mr David Eves, HSE deputy director general, speaking at the launch of a guide to safety management, said that the 1980s had seen a series of disasters, including the sinking of the Herald of Free Enterprise, the Kings Cross fire, the Clapham rail crash and the Piper Alpha deaths.

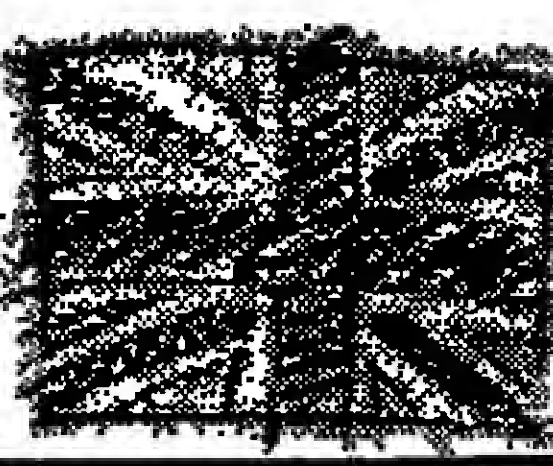
All the enquiries into the disasters had indicated management failures, he said.

The losses and costs of accidents and ill health at work were described by Mr Eves as a "Bermuda triangle for business". Serious financial losses, deaths and injuries at the apex of the triangle arose from the many minor events which occurred at the base of the triangle, he said.



35 people were killed near Clapham, south London in December 1988 when two trains collided

BRITAIN IN BRIEF



Virgin agrees to sign the Stones

Virgin Records has concluded an agreement with the Rolling Stones, who were previously contracted to Sony Music. The agreement takes effect in 1993 and is believed to involve payment to the group of between \$30m and \$40m.

The Rolling Stones have undertaken to produce three new albums for Virgin. From March 1993 Virgin will also acquire the group's back catalogue from 1971 onwards.

Civil service pay dispute

Her Majesty's Stationery Office, which last year became the first Civil Service agency to break away from national pay agreements, has made a pay offer well below the public sector average for this year.

HMSO has offered 3 per cent from October 1, or 4.7 per cent from January 1. It has been rejected by the unions.

The government is encouraging its departments and agencies to introduce their own pay scales independent of national agreements. The Civil Service unions are determined to maintain collective bargaining arrangements.

Anglo-Irish agreement

THE Irish government has given assurances that legislation to extradite alleged IRA terrorists from Ireland to the UK will be changed as soon as possible, said Mr Peter Brooke, the Northern Ireland Secretary, after the latest round of talks in Dublin of the Anglo-Irish Intergovernmental Conference.

Mr Ray Burke, the Irish Justice Minister, said he wished to see changes to British legislation, to ensure that extradited persons would be tried only for the offences for which they had been extradited, and not face the possibility of additional charges once in British custody.

School exams to be changed

The government has bowed to pressure from its MPs and independent schools and is to overhaul the GCSE examination, taken by most 16-year-old pupils in England and Wales.

A new grade more difficult to attain than the current "A" will be introduced from the summer of 1994 and from next September coursework will account for a maximum of 20 per cent of the marks in most subjects.

Building orders continue to fall

Construction industry order books are continuing to deteriorate, according to figures published by the Department of the Environment.

Orders during the three months to the end of September were 6 per cent lower than during the previous three months and 9 per cent lower than during July to September last year. Private commercial building was the worst affected but there was also no sign of an improvement in house prices.

Belfast airport to be privatised

Bombardier, the Canadian transport group, may bid in the privatisation of Northern Ireland Airports, the company which runs Belfast International Airport.

Bombardier already owns both Short Brothers, the Belfast aircraft and missile manufacturer, and Belfast City Airport.

London small businesses fail

London's small businesses have been badly hit by the recession, high interest rates and banks' cautious lending policy, according to a report.

The Association of London Authorities said that 12,359 businesses failed in the first three quarters of 1991 in London and south-east England compared to 10,977 in the whole of 1990 and 6,966 failures in 1989 at the height of the boom. Company liquidations totalled 7,550 in the first three quarters this year while bankruptcies increased to 4,808.



East Midland optimism up

The latest six-monthly report on business opinion in the east Midlands found "only 12 per cent of businesses expect conditions to deteriorate".

However, the survey - by Price Waterhouse, accountants, and Nottingham Business School - acknowledged that in the six months to October, 47 per cent of businesses reported a fall in sales and 52 per cent either losses or lower profits.

Submarines need more tests

The first of Britain's latest class of diesel-electric submarines will spend most of next year having a design defect corrected.

The £140m Upholder was delivered less than a year ago after a three-year delay. It has been discovered that in certain circumstances the outer doors of the torpedo tubes might be open at the same time as the inner doors, letting water into the submarine.

Little sign of consumer boom

There is little sign of an imminent consumer boom, according to a survey of confidence and spending intentions. The survey, conducted by Gallup on behalf of Barclaycard, shows that consumers are still struggling with their borrowings and are cautious about taking on new debts to finance spending.

Public support more welfare

Public support for state health and welfare expenditure is increasing, says the latest British Social Attitudes survey.

Support for higher state spending on welfare has risen from 32 per cent in 1983 to 54 per cent last year. Health, education, retirement pensions and child benefit are leading targets for more spending.

Call to improve maternity rights

The Equal Opportunities Commission has called on the government to take immediate action to improve maternity rights.

It wants the government to respond positively to the European Commission's directive on maternity leave by announcing new framework legislation giving a minimum of 14 weeks maternity leave.



Attempt to unify engineers

A new attempt to create a single national body to represent the engineering professions has been announced by Sir John Fairclough, (pictured) chairman of the Engineering Council, the umbrella body for 46 professional institutions.

It is hoped that a more unified structure might appeal to around 250,000 qualified engineers who have yet to register with the Engineering Council.

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Money supply growth weak

By Peter Marsh, Economics Staff

WEAK growth in the supply of money in the economy, shown up in official figures published yesterday, have reinforced indications about a hesitant recovery.

Although the latest figures for M0 - a narrow measure of money, which consists mostly of notes and coins in circulation - are consistent with a slow upturn, other statistics covering lending by banks and building societies show that consumers and companies are still reluctant to take on new debts.

Many economists believe that unless individuals and businesses become keener to take on new loans, the expected recovery will remain weak.

According to the Bank of England, M0 grew last month at an annual seasonally adjusted rate of 2.6 per cent, compared with a revised 2.3

per cent in September.

While the M0 figure for last month is some way below the numbers recorded during the last six months of 1990, which averaged 4.3 per cent on a year-on-year basis, it is the biggest increase in the measure since February. As a result, the M0 data support theories that a pick-up in activity started around the summer.

However, the strength of this apparent upturn was thrown into doubt by separate Bank figures for M4 - a broad measure of money which includes private-sector holdings of notes and coins, and also bank and building society deposits.

Last month, M4 grew at an annual rate of 6.3 per cent, after a revised 6.5 per cent in September. While this is the smallest annual growth rate for more than 20 years, indicating a weak demand for credit, many economists believe the

M4 numbers have been affected by the large amounts of equity raised by companies recently in rights issues. That has reduced the borrowing requirements of the corporate sector, and may have lessened the reliability of M4 as a guide to activity.

Suggestions of economic weakness were, however, underlined by the £1bn of extra lending in sterling by banks and building societies last month, after £913m in September. In both July and August, banks and building societies lent more than £3bn.

According to Mr Nigel Richardson, an economist at S.G. Warburg Securities, the small rise in lending last month - after a September figure which had been depressed by borrowers' interest payments at the end of the third quarter - illustrated the fragile state of the upturn.

Treasury forecasts a modest recovery

By Rachel Johnson, Economics Staff

THE Treasury yesterday said the UK economy would grow as forecast by 1/2 per cent in the second half of the year, in spite of data which this week showed that the non-oil economy continued to be in recession in the third quarter.

Mr Alan Budd, the chief economic adviser to the Treasury, said that a "modest recovery" was beginning, in response to questions on the Autumn Statement from MPs in a Commons committee.

He said that the third-quarter rise of 0.3 per cent in output (which was wholly caused by higher production from the energy sector) denoted an upturn according to his non-technical definition of the term.

"I can't see any reason not to call it a recovery if the econ-

omy is growing," Mr Budd said.

But he also said that his Autumn Statement forecasts were hedged with two "inevitable uncertainties" - foreign economic developments such as the behaviour of the US economy and the eccentric behaviour of the UK consumer.

The rise in GDP next year of 2.3 per cent was predicated on two developments: a sharp increase in consumer spending and a decline in the savings ratio - the proportion of income saved rather than spent.

Mr Budd acknowledged that a recovery in spending was still uncertain, but he said that real incomes were growing and that "historically high levels of wealth would underpin consumption".

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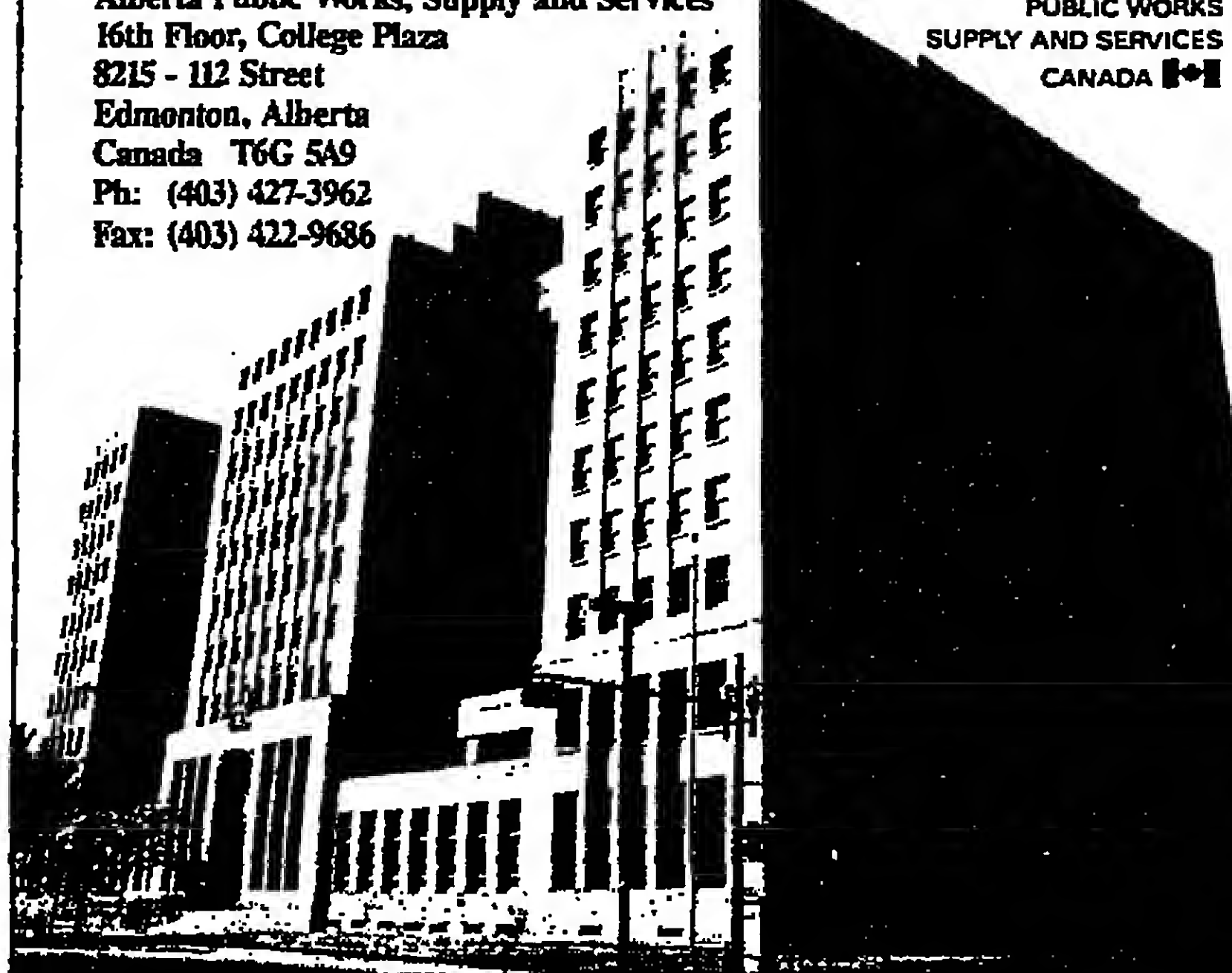
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Closing Time and Date: An information package including the qualifications submissions form is available from the address below. Qualifications submissions will be received until 2:00 p.m. MST on Thursday, January 30, 1992 at the office of:

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UK NEWS — THE EUROPEAN DEBATE

No early move on currency says Major

By Ivor Owen, Parliamentary Correspondent

BRITAIN will insist that market forces and not any conditions laid down by the European Community should determine the size of budget deficits operated by individual member states, Mr John Major, the prime minister, stressed in the House of Commons yesterday.

Opening the two day debate on the government's approach to next month's negotiations at Maastricht he reaffirmed that there could be no question of early acceptance of a single European currency.

To cheers he warned the other members of the EC not to underestimate the government's determination to secure satisfactory terms.

He stressed that anyone who believed that after initial protests and objections Britain would sign up at the 55th minute of the 11th hour to whatever was on offer that they would be guilty of a "fatal" misjudgment.

Mr Major satisfied the anti-federalists on the government benches with a forthright assurance that a treaty which described the Community as having a "Federal vocation" would not be acceptable.

But he soon found himself in direct conflict with Mrs Margaret Thatcher, his predecessor, after again rejecting calls for a referendum before new



treaty commitments deprived parliament of any of its existing powers.

In a powerfully argued and frequently interrupted speech Mrs Thatcher insisted that the British people were entitled to an advisory referendum before there was any question of sterling being abandoned in favour of a single European currency.

While declaring her support for the government's approach to Maastricht she pressed the prime minister to ensure that "quite unacceptable" proposals on economic and monetary union were removed from any treaty he recommended to parliament.

Mrs Thatcher, who accused Mr Neil Kinnock, the Labour leader, of being ready to accept a single currency even before the outcome of the Maastricht

negotiations was known, jocularly looked to Mr Major to use a cricket bat instead of the handbag which she acknowledged having wielded, on some occasions, in tough bargaining with EC leaders.

Mr Kinnock, who complained that Tory backbenchers had sought to disrupt his speech by organised harracking, backed demands for a more positive approach with a warning that the government was in danger of relegating Britain to the "second division" of the EC.

The prime minister identified a series of "crucial points" which the government would put forward at Maastricht: economic and monetary union. There must be strict economic convergence, and a provision which allowed Britain to decide whether, and not just when, to join a single currency.

Political Union: Nato's position must be safeguarded, and the creation of competing European defence structures avoided.

Foreign policy: Agreement for co-operation "must not interfere with our ability to take decisions in our own national interests".

European Parliament: Any increased powers given to it should provide for greater control over the European Com-



Debating points: Neil Kinnock, opposition leader, (left) and Prime Minister John Major trade arguments yesterday

mission, but not permit it to become the equal of the Council of Ministers in making policy for the EC.

Extension of Community competence: Must be constrained to areas where Community action made more sense than national action or than action on a voluntary, inter-governmental basis.

The prime minister emphasised that there were some

areas where it was essential to ensure that Community law applied throughout all the member states.

"A single market can only work if there are common standards," he said. "We need to know that our goods can compete on equal terms when we export. We want to be confident that imports meet safety standards".

Amid further cheers from



Kinnock says Tories 'playing for a draw' on union

THE British government was "playing for a draw" in its negotiations over economic and political union, Mr Neil Kinnock, the leader of the opposition Labour Party said yesterday, as he painted a picture of an administration half-hearted and defensive in its approach to Europe writes Alison Smith.

Mr Kinnock devoted much of his speech to the damaging practical consequences of insisting on the "opt out" clause in the treaty on monetary union, saying that this fundamentally undermined confidence in the government's commitment to the European process.

"Opting out would mean losing out", he said, asserting that there was no need for the clause because none of the EC countries would join a monetary union without getting a parliamentary mandate. Ministers should stop trying to persuade themselves that there was "some sort of semi-detached arrangement that can be made".

But he was challenged by Mr Norman Lamont, the chancellor of the exchequer, who rejected his assertion, and asked whether Labour would sign up irrevocably to monetary union without a further reference back to parliament.

"I would not be giving the evidence of bad faith of looking for an opt-out clause, and the reason is that, unlike the prime minister, I don't have to try and patch my party together," Mr Kinnock replied, to Tory derision.

Mr Kinnock warned of severe implications for the government's strategy: if it continued to stand apart from the move towards economic union, then both inward investors and British investors would no longer give priority to investing and developing in Britain.

"Even before there is an immediate prospect of monetary union, it has to be recognised how vulnerable Britain would be if the strategy of the Government was to avoid a commitment to the process underway in the Community," he said.

Tranquillising start to the great debate

By Ivo Dawson, Political Correspondent

THE Old philosopher MP was quite definitive. "They never add up to much these great set-pieces," he said. "Really explosive parliamentary occasions are always unexpected — like a foreign secretary's resignation speech, for example."

A little more than a year after Sir Geoffrey Howe, who was then foreign secretary, resigned the great European debate began much as predicted.

To describe the prime minister as anti-climactic would be unfair. After all, his was the task of starting the show. But the news that Mr John Major was planning to speak for a very considerable period of time had a suitably tranquillising impact on the more excitable heads in the house.

A suitable litmus test of the drama of the moment naturally presented itself in Mr Peter Shore, the veteran Labour anti-marketier — the designation that most

fairly dates his years of service in Britain's home guard.

As a passionate opponent of further EC integration, Mr Shore began by writing copious notes on a large pad balanced on his knees. But as the full drama of the government's negotiating position began to unfold, his pen stilled and slowed.

"Where we can act together, we will do so," Mr Major was intoning with the kind of deliberate enunciation used by firm but fair language teachers to classroom of restless adolescents. "Where we can act on our own, then we will do so."

Ahead of him, Mr Shore's pen had stopped altogether. His head was close to nodding, though not, one suspected, entirely in agreement.

Only when Mr Neil Kinnock, the Labour leader, took to his feet did the House pull itself together. In an effort to lend some

jollity to the occasion, Mr Robert Adley, a Tory MP, interrupted to ask for an example of when Mr Kinnock hadn't changed his mind.

"We entered the house on the same day," Mr Kinnock replied. "I formed the view then that he was a jerk."

Once the explosion of laughter and protests had died down, few perhaps had noted that the date of both men's debut in the chamber was 1970, suggesting that he has now an impressive 21 years of consistent mind-changing to his credit.

Like the formidable old performer that she is, Mrs Thatcher made the most of her return to the stage.

But her slip in referring to Mr Hurd as "my foreign secretary" only underlined the sentimental nostalgia that suffused the act. One suspects that increasingly she will be cast in cameo roles.

Thatcher urges vigorous fight against draft treaty

A referendum on European integration would be justified if all the main parties were backing the proposed changes at general election and so denying the public a voice, Mrs Margaret Thatcher, the former prime minister, said last night writes Ralph Atkins.

She urged the government to fight "vigorously and persistently" against the draft treaties on European integration which would lead to an "enormous and unacceptable" transfer of responsibility away from Parliament.

The former prime minister said she would support the government motion tonight

because Mr Major faced a difficult task, "and therefore needs our support in making those negotiations".

A referendum on constitutional issues would be justified if all the three main parties were backing the proposed treaties. Opponents of change would have no alternative but to vote for extremists.

It was not clear, however, if she would back a referendum after the Maastricht summit or after a general election in which the main parties backed the changes. She said ministers had to make clear that "there are certain points on which we are not prepared to surrender".



Margaret Thatcher

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TECHNOLOGY

Drugs in database safety net

The announcement last week that various national drug regulatory authorities are accelerating their licensing procedures was welcomed by the pharmaceutical industry. But the danger of speeding up the process is that adverse side effects of new compounds could be missed by the authorities.

To co-ordinate its efforts, the UK regulatory authority, the Medicines Control Agency (MCA), has set up a £2m computer system to monitor adverse effects of drugs once they have arrived on the market.

The MCA claims the system, called Adverse Drug Reactions On-line Information Tracking (Adroit), is the fastest and most sophisticated system in the world.

It was developed with Andersen Consulting and is designed to improve the accuracy of data, reduce processing time and help analyse information.

Adroit, which is based on a Pyramid mini-computer, will handle the 20,000-odd adverse drug reaction reports made by doctors, dentists and cornermen in the UK every year as well as 250,000 existing records.

Each paper-based report is recorded into the system using Fujitsu scanners, and the information stored on optical disc. Previously, it took up to 30 days to enter the data manually. The scanners are now able to process 340 reports an hour and the MCA hopes the records will be entered within 48 hours of arrival.

The reports can then be retrieved from the database using one of 25 personal computers.

The database has special alert programmes which the MCA claims will allow it to identify drug safety problems as early as possible.

Adroit should allow the MCA to analyse a priority report within hours rather than the 30 days taken up until now.

The MCA plans to extend the system by linking it to department of health regional centres, pharmaceutical companies and other national regulatory authorities.

Paul Abrahams

Leading British life insurance companies are pressing ahead with an information technology initiative designed to streamline the way the industry's products are sold.

The Exchange, a venture which has been funded by 20 insurance companies, last month announced the acquisition of Inview, one of the UK's biggest computerised rate quoting systems.

The deal is the first stage in a programme designed to introduce and harmonise the use of advanced information technology across the life insurance industry.

Relations between insurance companies - which "manufacture" life insurance and investment products - and the brokers, agents, intermediaries and salesmen - which "distribute" them - could be transformed, reducing costs and increasing efficiency at a time when market conditions threaten the long-term viability of many smaller companies.

"We're cutting a knife through the entire technology development cycle," says Paul Lindsey, managing director of the Exchange. He says that a group of European insurers has already launched a system - the Belgian-based Assurnet - which is well in advance of anything currently available in the UK.

"If we don't do it someone else will," says Lindsey, warning that the potential European competition outweighs any fears among companies that by co-operating with their rivals they would be sacrificing competitive advantage.

The UK's large mutuals have played a catalytic role. Standard Life, the UK's biggest mutual company, Norwich Union and Scottish Amicable started the ball rolling by setting up a joint venture - Origo - to explore possible new technology initiatives in 1989. Origo owns 87 per cent of the Exchange (AT&T Intel, the network services company, owns the remainder).

Explaining the rationale behind the creation of Origo, David Munro of Standard Life says that although the insurance industry had been relatively quick to introduce technology to its backroom operations - bringing in large mainframe computers in the mid to late 1970s into headquarters - it has been much slower in introducing new technology to distribution.

"Computerisation had been extended to every nook and cranny of their operations but the whole thing stopped dead

Richard Lapper describes a system which will bring the life insurance industry out of the dark ages

The computer takes cover

at the branch door," he says. For companies like Standard Life, heavily dependent on independent financial advisers (IFAs), the distribution system was "still paper and post driven. It was virtually the same as it had been at the beginning of the 19th century," says Munro.

He adds that the system came under enormous pressure in the 1980s for two reasons.

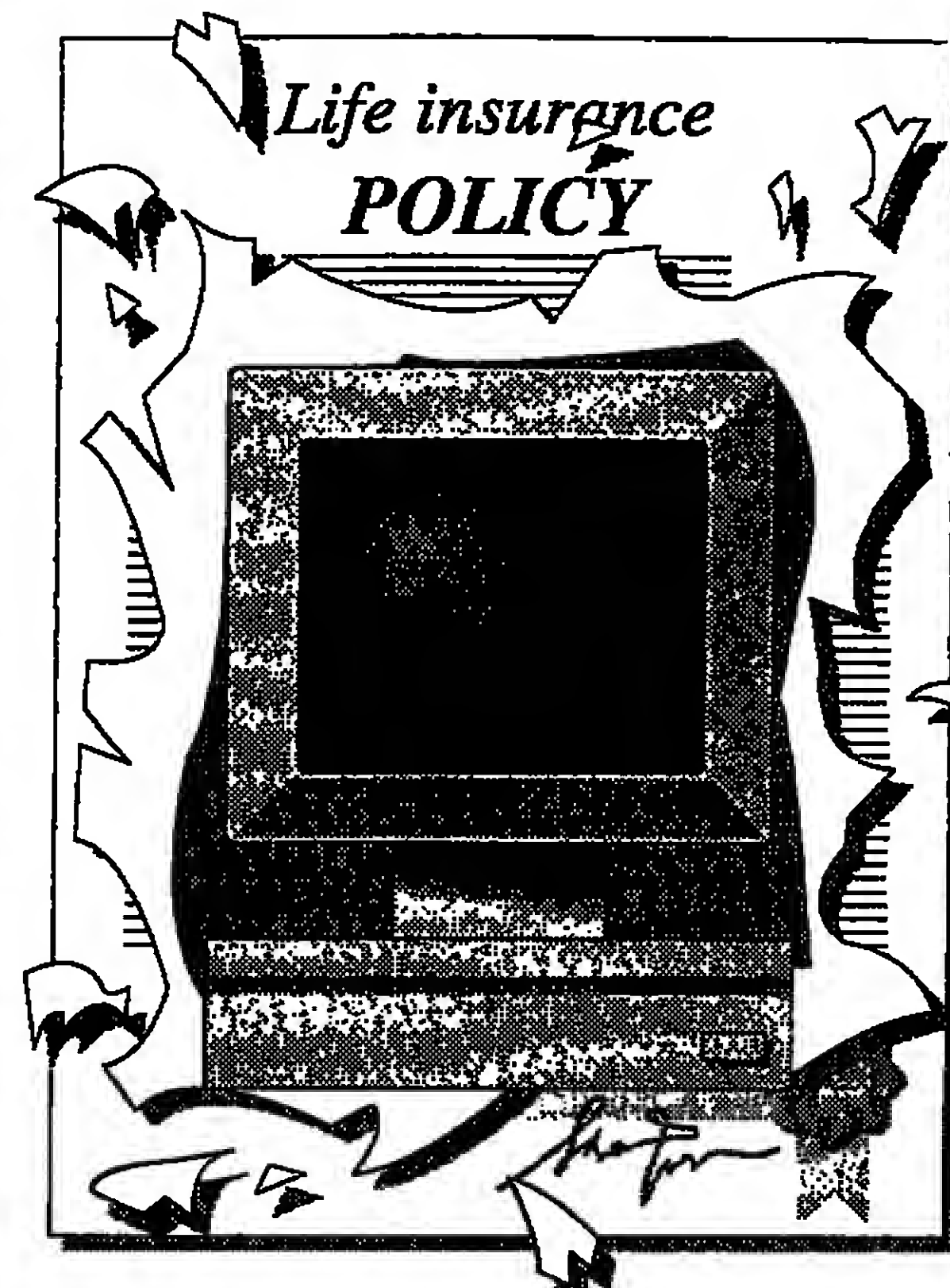
● Demand for life insurance surged, with growth rates reaching 20 per cent a year. New homeowners provided an important market for mortgage endowment policies, while the government's decision to free up the state pensions system gave a powerful boost to the personal pensions market. The growth in new business itself created major administrative headaches for intermediaries and life insurance companies alike.

● The 1986 Financial Services Act has added to the pressure. New consumer protection regulations, designed to guarantee the quality of advice given to consumers, have increased costs for many intermediaries, with complicated new compliance codes adding to the mountain of paper in their offices. Many smaller IFAs have been forced to abandon independence.

One of Origo's first actions was to conduct a detailed survey of IFAs' responses to new technology. Origo found that although a large number of intermediaries deployed no technology at all, as many as 21,000 outlets - including brokers, advisers, banks and building societies - work with the simplest form of computer sales technology, the so-called videotex quotation system, available since the mid-1980s.

In this system, which has been pioneered in the travel agency business, the intermediary calls up a program via modem communication with a database maintained by the system operator.

The program contains details of a range of policies from the



insurance companies which subscribe to the service, allowing the salesman or broker to enter a customer's details and obtain an instant range of alternative quotes.

A smaller but still substantial number of intermediaries deploys some of the enormous range of other software available which allows them to streamline their own backroom operations, processing policy and customer information as well as improving in-house finances, accounting and planning. These systems are sometimes linked up via electronic mail to the offices of life companies, allowing brokers and agents to obtain quotes, process new business and deal with policyholder queries.

The Exchange has developed

a three-pronged strategy:

● To control Inview, one of the two major videotex operators in the UK. Lindsey says that by obtaining the industry's backing Inview may be able to grow its share of the market. This could be at the expense of its main competitor in the field, British Telecom Insurance Services. Insurance companies, whose fees sustain the operations of the network carriers, will be unlikely to be keen to support competing services, Lindsey believes.

The Exchange will now begin developing the range and sophistication of videotex services, spending £500,000 over the next six months.

It also plans to increase the range of products available

quotes for about 60 per cent of

life policies are now available on the system - and aims to expand capacity to process new business and issue policies.

In motor and household insurance - where policies are simpler and where brokers can often underwrite on behalf of the insurer - the policy can be agreed on the spot, allowing the customer to leave the premises with a copy of the policy in their hand.

As yet this facility is offered for only a small minority of mortgage endowment policies. Finally, the Exchange wants to enhance the videotex service, allowing customers to obtain more information about their policies and help solve possible problems.

● To generate greater coherence in the highly fragmented market for software and communications packages, not by buying into the market but by investing in a facility which would provide an interface between all the systems in use. This is described by Lindsey as an "electronic hub or clearing house". Once established it would allow intermediaries and life insurers connected to it to trade electronically, conducting transactions across the system in real time. A contract worth several million pounds has been put out to tender and a number of computer companies is expected to compete for the work.

Lindsey says the hub will be similar to one already developed in Belgium by the Assurnet group.

● To develop a training programme among IFAs and - to some extent - with tied agents. Munro says many intermediaries were put off by early difficulties they experienced with new technology. Some were just frightened of it while others did not "see the point of spending £30,000 to £30,000 in setting up systems. In the good times of the late 1980s when their income was growing steadily they just didn't perceive that they were losing administrative efficiency," he says.

In the harsher climate of the 1990s many now realise the need but require help and advice. The Exchange will send out teams to advise IFAs what to do and how to do it. "We have had to find means of holding the intermediary's hand step by step," adds Munro.

In a conservative industry Lindsey also emphasises the importance of the cultural factor. "The speed at which we educate is the biggest factor that will strengthen the development of electronic trading in the UK," he says.

Aerospace comes to Sony's defence

By Alan Cane

Sony Corporation is increasingly using manufacturing techniques derived from the aerospace and defence industries in the search to create smaller, lighter and more attractive consumer products.

But, as one of Sony's top executives explained in the UK last week, human factors are more important than technological prowess in achieving efficient manufacture.

Factories which look beautiful with robots in position and computerised offices have little to do with production efficiency according to Nobuo Kanai, deputy president of Sony Corporation.

Quality, delivery and cost ("better, faster, cheaper") were Sony's watchwords in its approach to factory automation, he said.

He was in London to receive, on behalf of Sony chairman Akio Morita, the Institution of Manufacturing Engineers' International Award Gold Medal and to deliver the first International Manufacturing Lecture at the Institution of Electrical Engineers.

Kanai said the most difficult issue in production control today was the globalisation of factory locations. Some 35 per cent of Sony's production now takes place outside Japan. He said the forces driving this trend included the move to site factories in less developed countries where labour was abundant and cheap, and the need to produce products close to the markets in which they are sold. "This need has grown out of a number of factors including fluctuations in market demand, increasing logistics costs and risks due to unstable currency exchange rates."

He went on: "Against this backdrop of internationalisation, the communication gap between people of different nations, different lifestyles and ways of thinking has become the key issue."

To achieve a satisfactory level of production quality in overseas factories, it was essential to tackle problems of language, value and training. "Unless these three elements are handled professionally, significant improvement cannot be expected," Kanai concluded.

(Speaking privately, Kanai

confirmed that a further obstacle to the establishment of manufacturing operations outside Japan was the difficulty of obtaining electronic components of adequate quality.

Kanai said a modern factory must meet three criteria: safety, both for its workers and for the consumers using its products, high production efficiency and what he described as an "autonomous nerve" control system - where automatic stop devices halt the entire line when a problem is encountered, thus preventing the continued production of defective parts. The technique of self-checking automated equipment was pioneered by the Japanese motor manufacturer Toyota.

Kanai said, where it was known as "automatisation". Installing computers and robots was not a simple answer, however. "Under the true meaning of modernisation, the first step is to make an improvement by reducing the amount of paperwork. Then 'faster and cheaper' can be realised through computerisation," he says.

While Kanai accepted that added "quality" in manufactured products was difficult to measure when justifying the cost of new automated manufacturing systems, he said it was easy to see the advantages in low rates of defective products. Sony, he believed, was significantly better than its competitors in this respect.

The advanced concepts the company has already taken from the aerospace and computer business include multi-layered boards and surface-mount technology. In the latest Sony camcorders, for example, printed circuit board components too small to be put in place by the human hand. Automated assembly is needed.

The complexity of final assembly operations remains an obstacle to complete automation, however. The early stages of Sony's assembly operations - insertion of components on circuit boards and so on - are now between 85 and 95 per cent automated. Final assembly, however, is only about 15 or 25 per cent automated, giving an average automation level for the whole process of between 55 per cent and 65 per cent.

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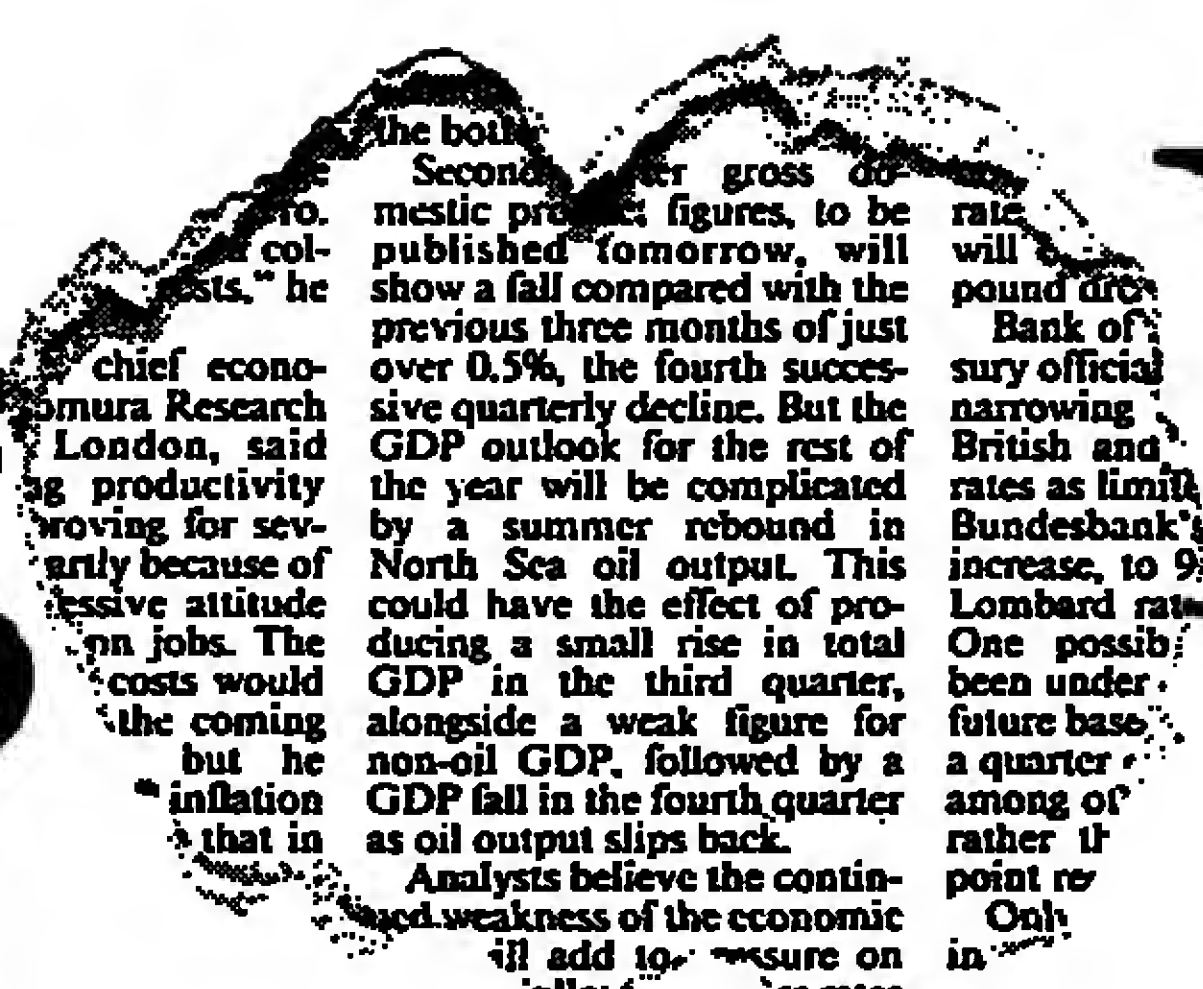
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BUSINESS LAW

Civil remedies for insider dealing

By Graham Huntley and Daniel Mace

The issue of whether civil remedies should be available for insider dealing has involved much debate about whether damages would prove more of a deterrent than criminal sanctions.

The main objection to a civil remedy is that insider dealing is said to be a "victimless" crime and that it offends a sense of fair play to compensate a so-called victim who got exactly what he bargained for. In May, however, in a case involving Chase Manhattan Bank, the High Court leapfrogged those considerations and held that, in appropriate cases, a remedy was available.

At the trial, the court was prepared (on clear evidence) to find that an insider had committed an offence, when dealing in shares in a company of which he was a director, even though the criminal trial had not taken place.

The court then allowed the victim of the insider dealing, Chase, to rescind a share purchase agreement with the insider so that it was not obliged to pay for shares which, after publication of the inside information, were worth a fraction of the agreed price.

Prior to the case, it was believed that the Company Securities (Insider Dealing) Act 1985 was a bar to civil remedies. This view arose from the wording of section 8(3) which provides: "No transaction is void or voidable by reason only that it was entered into in contravention of [the Act]."

Doubtless, the intention behind those words was to prevent rescission and, thus, complex unwinding of transactions following the discovery and proof of insider dealing.

However, as the facts of the Chase case illustrate, provided a victim acts quickly, it may be possible to unwind a transaction without disrupting the Stock Exchange machinery.

The market-making arm of Chase Manhattan Bank agreed to buy the shares from a broker, acting as agent for a nominee company (with the legal title) and the insider (with the beneficial interest), and agreed to sell the shares to sub-purchasers through the broking arm of the Bank.

Before the transaction was completed and the new legal owners registered, Chase discovered that the insider was the seller of the shares and that there was, therefore, a

false market in the shares.

Chase acted swiftly to issue a writ and preserve the status quo prior to trial.

For the court to have held Chase to its bargain would have involved it turning a blind eye to the public policy principle that criminals should not profit from their criminal conduct.

Against this, the court was faced with the statutory language of section 8(3). It took the view that it could not have been parliament's intention to make a general rule that a victim had to treat the transaction as binding.

The case seems to say that the purpose of section 8(3) is to require the bargain to be completed unless the victim can point to something more than the fact of insider dealing to support the claim for a remedy.

This raises a fundamental and unanswered question - what other fact or facts must exist before a victim is allowed under the Act to wash his hands of the transaction?

The judge in the Chase case appeared to be reluctant to answer the question exhaustively, perhaps having appreciated its significance for dealers. However, in allowing Chase to treat its agreement with the insider as unenforceable, he took into account:

• that the share transactions had not, in fact, been completed in accordance with the Stock Exchange machinery;

• that the parties with an interest in the shares (particularly the legal owners) were represented in court and, save for the insider, submitted to its ruling.

The court was therefore able to unwind the transaction without incurring the problems which would have been faced if legal title in the shares had passed, and they had been disseminated in the market. The parliamentary intention behind section 8(3) must have been to avoid such problems.

Therefore, non-completion will almost certainly be an essential pre-requisite for relief for a victim. The lesson is that, if there is time for a victim to prevent completion of the transaction, he must act quickly.

What is much less clear is whether the courts will require all interested parties to co-operate and be represented in court before granting relief. For example, should all the parties first confirm that they

submit to the court's ruling on the issue of the status of the agreement with the insider (as in the Chase case)?

If willingness to submit in this way is not the issue, because an unwilling party can always be joined by a willing band of plaintiff victims, will the courts be prepared to declare a share transaction void with the effect that a long chain of sub-purchasers will not be able to require their sellers to deliver securities in a company at a series of agreed prices? If the Chase decision is upheld, logic would require the courts to be prepared to take such a step.

Even in such cases where rescission is granted, sub-purchasers who suffer loss, perhaps as an indirect consequence of not receiving the securities which they had bargained for, may nevertheless think they should be entitled to recover damages from the insider.

Certainly, many such brokers and market makers in the City would be surprised to know that agreed purchases may not be settled because they are tainted with insider dealing which they had no reason to suspect.

They would be equally surprised to be advised that the fact that they were too far removed from the insider to have any reason for suspicion will probably also mean that they cannot recover damages from the insider.

The issue is whether the insider (or "tippee") owed the victim a duty of care. This will be easier to establish in cases where the insider has informed his victim of facts designed to avoid suspicion of the offence. It will be more difficult in the common scenario where the insider says nothing.

In those cases, the victim must argue that the insider owed to him a positive duty to disclose the inside information at the time of the trade. There is little legal basis for such a duty being owed to innocent victims who are mere sub-purchasers of the insider's securities and who never came into contact with the original seller.

In any event, the law is hesitant to impose such positive duties. In the Chase case the judge would probably have found that the Bank's broking arm was owed such a duty by the insider for exceptional reasons; namely, that the broker,

not knowing the identity of the seller of the company's shares, had made enquiries of the company, and had reasonably assumed that none of its directors was involved.

In so doing, the Bank had relied on their obligations as directors, under the Stock Exchange Model Code, to report to the chairman or other relevant director prospective dealings by them in its shares (where dealing is permitted).

However, such a duty would not have been owed to the market-making arm of the Bank, which had not made any enquiries of the company and was a distinct legal entity from the broking arm.

It is nevertheless arguable that, as a matter of general law, a market-maker or other dealer dealing with an insider is owed a positive duty by the insider to disclose all facts material to the transaction.

Such arguments face two objections in particular. First, market-makers tend to be reluctant to go long or short on large quantities of stock. If they are, therefore, to be able to make a profit, they must be able to sell the stock at a price which reflects the true value of the stock.

Second, it is often said that dealers trade on the basis of their own evaluation of risks and are not induced to do so by the insider's position or actions in any event.

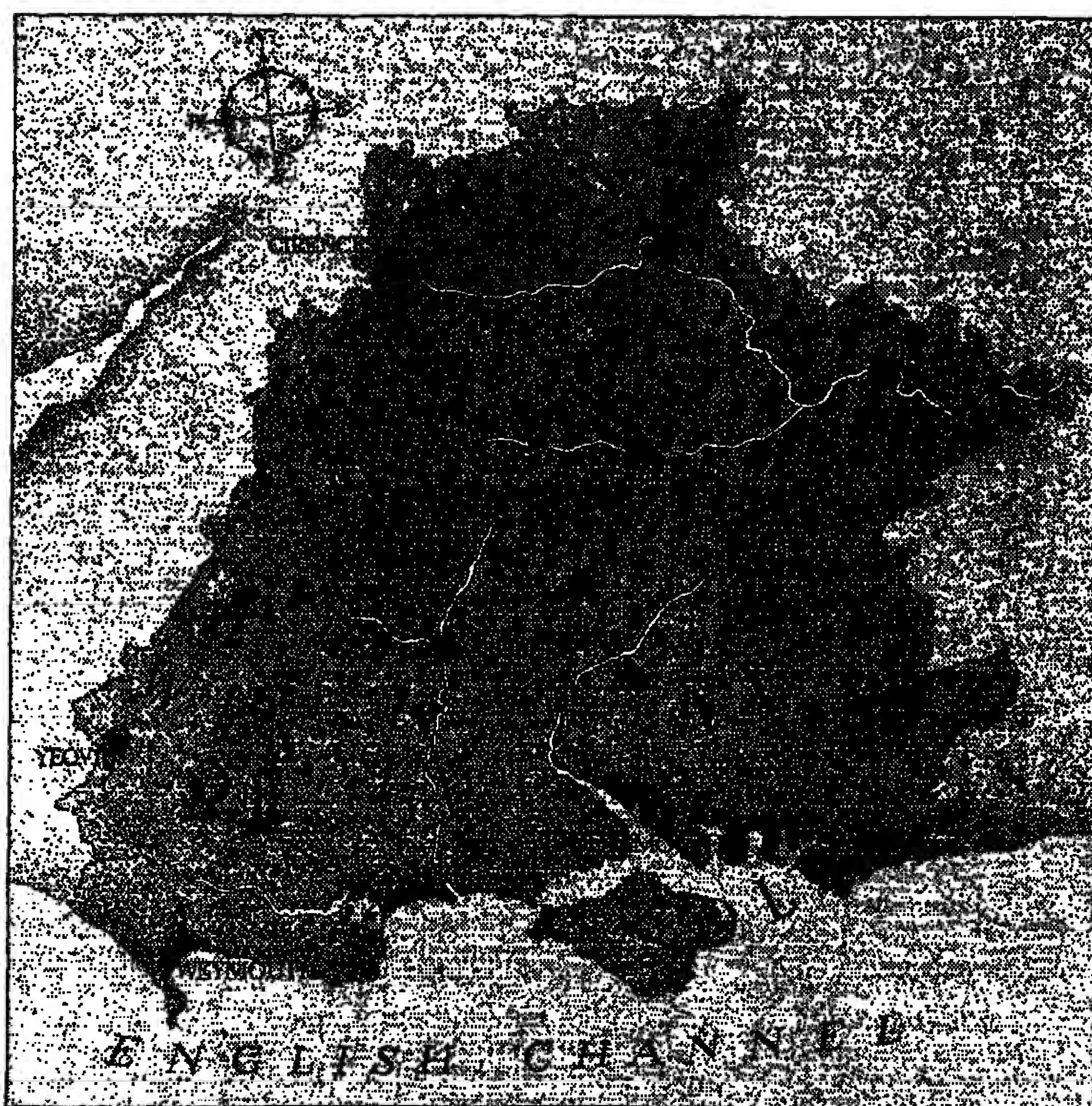
Both these objections may have common applications to the more complex circumstances in which Stock Exchange dealings often take place. They should not be regarded as fundamental in determining any general rules about the existence of a duty of care owed to dealers.

Innocent victims in such cases will probably look in vain to parliament to introduce statutory remedies. The DTA Consultative Document on proposed changes to the Act, to comply with the EC Directive on Insider Dealing by June next year, does not favour civil remedies and does not take up the US approach of a statutory scheme.

Although we have still to see what changes to the UK Act are proposed, to ensure compliance with the Directive, it seems that victims seeking remedies will have to look to the courts, not to parliament.

Mr Huntley is a solicitor and Mr Mace a partner with Lovell White Durrant.

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SOUTHERN ELECTRIC

WORLD NUCLEAR INDUSTRIES

Thursday November 21 1991

"It is forecast that the world demand for energy will triple in the coming century, and it seems inevitable that greater use will have to be made of nuclear power in order to supply this requirement"

— John Gillis, director-general, British Nuclear Forum.

"In spite of the threat of climate change... the likelihood of a sustained global expansion of nuclear power without significant policy shifts is minimal"

— Simon Roberts, national energy campaigner, Friends of the Earth.

THESE STATEMENTS, both made at a recent conference in London on the future of nuclear power, illustrate the widening gap between the industry and its critics.

History has so far proved the world nuclear industry over-optimistic. In 1972 the Nuclear Energy Agency (NEA) — the nuclear information body of the Organisation for Economic Co-operation and Development — forecast over 1,000 gigawatts of nuclear capacity in the OECD by 1990, compared with actual capacity in 1990 of roughly 250GW. By 1980, the forecast had shrunk to under 400GW, and today's forecast for the year 2000 is less than 300GW.

In the UK, the Central Electricity Generating Board, said in 1978 that it would have to build 8 nuclear plants between 1990 and 1995. It ended up building only one after 1980 — Sizewell B, which is due in 1994.

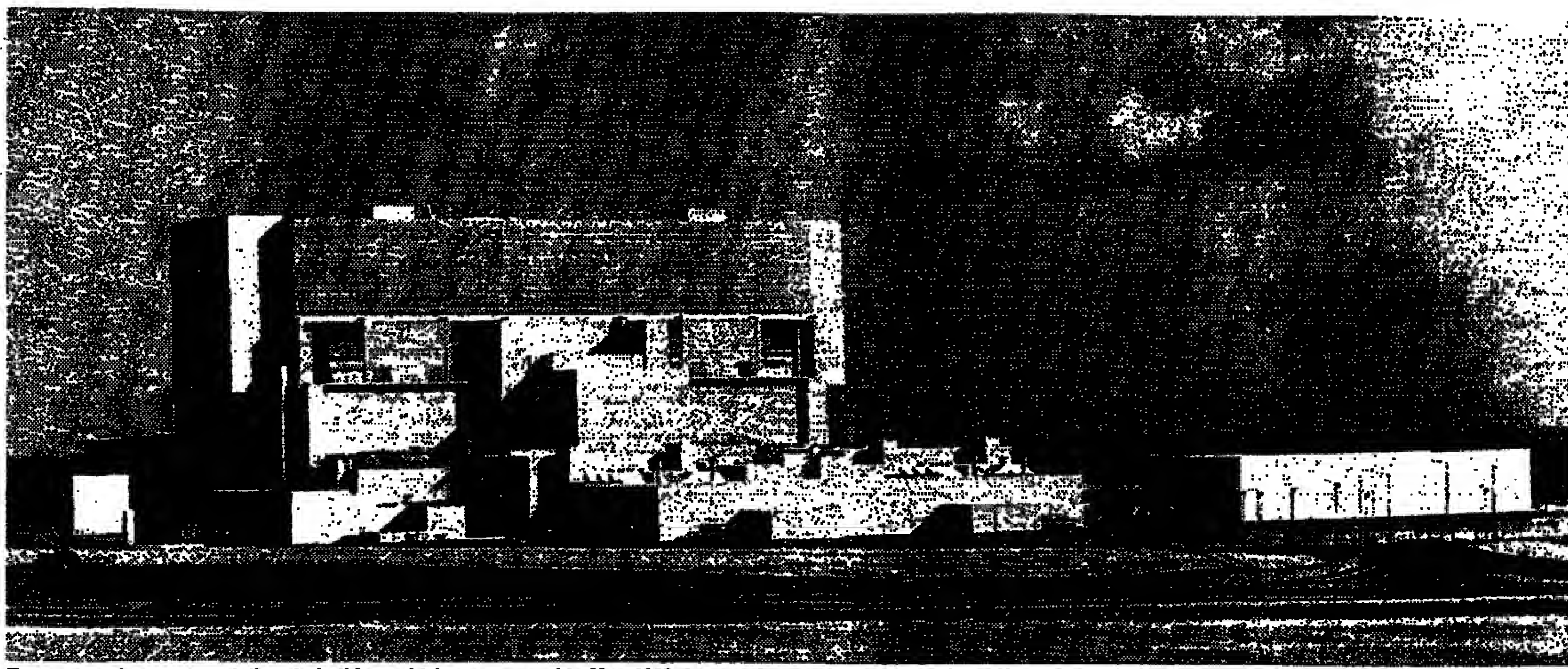
World nuclear capacity is still growing (by nearly 3 per cent in the OECD last year), but NEA figures show that, even in the last five years, the number of nuclear plants in construction has fallen sharply. In 1987, 10 units were being built in OECD countries and 10 were planned. Currently, 23 are being built and only three new units are being committed.

The industry and its critics agree that this is due mainly to two factors: growing public concern over nuclear safety, and the high cost and long lead times of building nuclear plants. The US stopped ordering nuclear stations in the mid-1970s, and by 1984 few orders were being placed in the rest of the world, according to figures compiled by the magazine Nuclear Engineering International in 1985.

There are now more than 400 nuclear power stations in 24 countries, meeting around 5 per cent of the world's energy demand and around 17 per cent of its electricity demand, the International Atomic Energy Authority (IAEA) calculates. Another 90-odd are under construction, says the IAEA, though how many of these will be completed is uncertain.

Here again, the views of the industry are of its critics differ. Steve Thomas, of Sussex University's Science Policy Research Unit (SPRU), calculates that only 48 units are under construction or firmly ordered worldwide.

"I am considering as serious only those



Torness nuclear power station, in Lothian, which was opened in May 1983, is one of two stations run by Scottish Nuclear

Picture: Ashley Ashwood

A green light and a star in the east

plants that have firm export contracts that it would be financially very difficult to break," he says. "I consider plants under construction when cement is actually being poured into a hole."

Nuclear Engineering International's figures, based on questionnaires sent to utilities, are higher: 71 units under construction and 58 planned. But, the magazine acknowledges, many planned plants will never come to fruition, while a number under construction are virtually abandoned, notably the 15 being built in the Soviet Union.

In western Europe, according to the SPRU databases, only France has firm plans for new stations. Finland has invited bids for one, but has not made a decision to go ahead. Austria, Germany, Italy, the Netherlands, Spain, Sweden and Switzerland all have moratoriums on nuclear power, although Sweden is reconsidering its decision to close existing stations. The UK is awaiting a government review of the industry in 1994.

In eastern Europe, most countries are experiencing problems completing nuclear programmes — either for political or economic reasons — and exact data, particularly on the Soviet Union, is hard to come by.

Poland abandoned work on a plant

The number of plants under construction has fallen, because of high costs and public anxiety over safety, says Juliet Sychrava. But as concern over global warming grows, nuclear power may be the only way to meet demand without increasing carbon dioxide emissions.

scheduled to start construction in 1989, and in September 1990 called a moratorium on nuclear power. Czechoslovakia originally planned four units at Mochovce and four at Temelin. However, two Temelin units have been cancelled, and it is uncertain whether the other two will be completed, given the country's economic position.

Hungary has four units at its Paks site, of the eight originally planned. No decision to order new plant has been taken, though extending Paks is a possibility, and the country has invited bids for new plant. Bulgaria has halted plans for a new station, because of public concern, and has not decided how to meet its future energy

demand. Romania began work on five Canadian plants ordered in 1979, but only two are so far under construction at the Cernavoda site.

The US has not ordered and completed any nuclear plant since 1974. The industry has come up with a plan stating the conditions under which new plants could be built, but there has been little progress in overcoming regulatory obstacles to licensing new plants.

In the Far East, the only region where nuclear power can genuinely be said to be expanding is the Pacific Rim. Japan is still committed to nuclear expansion, despite growing public opposition, and has ordered ten new plants.

More recently, Korea has begun to move in the same direction, and has ordered five plants; and Taiwan has indicated that it may follow suit with two units.

Indonesia has said it will start a nuclear programme, but there are few signs that the country will begin to build before the end of the century, as it is waiting for a feasibility study from Japan.

China has three reactors on order, and has talked of more.

In the Near East, India and Pakistan have expansionist nuclear plans. India has ordered six reactors from Canada, and has an agreement, though not a firm order, with the Soviet Union for two more. Pakistan has talked about 1,500 megawatts of capacity, but has neither firm plans nor any obvious means of funding them.

Nuclear's brightest future may well be in the east, where energy consumption is rising and oil and gas are not always freely accessible. But the industry hopes for a new dawn in the west, as electricity consumption continues to grow at between 2 and 3 per cent a year.

"The big question facing the industry is: what is the demand going to be?" says David Kyd, of the IAEA. "Countries like France and Germany have more power than they need. But as the appetite for electricity grows, a long-term solution is

needed."

As concern over global warming intensifies, the industry suggests that nuclear will be the only way to meet demand without increasing carbon dioxide (CO₂) emissions.

"The environmental issue may be the way nuclear saves itself from financial doom," says Gordon Mackerron, at SPRU, "but many countries — the US, for instance — are still not convinced by the global warming argument."

In the UK, environmentalists reject the industry's case. Building more nuclear stations, they argue, is one of the most expensive ways of cutting CO₂; energy-efficiency measures and renewable energy offer a much cheaper alternative.

The industry replies that these would involve a significant policy shift by the government. It also argues that renewables do not have much potential: the International Energy Agency estimates that, even by 2025, they will not represent more than between 3 and 5 per cent of demand. And renewables are not suitable for meeting baseload electricity demand — or for matching supply with industrial demand.

However, the government's recent statement that renewables could meet 20 per cent of electricity demand by the year 2025 must make the country's nuclear industry pause for thought.

And while nuclear may be environmentally welcome in one respect, it still has to face a number of environmental and safety challenges. When it comes to the effects of radiation, there is no agreement between the industry and its critics than on future capacity. Environmental lobby groups such as Greenpeace argue that radiation kills, while the industry says there is no firm evidence linking either natural or man-made radiation to cancer or leukaemia.

Nuclear waste is perhaps the most vexing issue facing the industry. Critics see no long-term solution, and reject industry arguments that the deep underground stores will make the waste safe for ever.

In the short term, most countries are storing waste on site. The only two commercial reprocessing plants are now in France and the UK, since Germany shut down its plant; and in the UK, Scottish Nuclear is attempting to move away from reprocessing towards on-site storage. Japan, however, may still build its own reprocessing plant.

But perhaps the strongest argument against nuclear is the cost. In most countries, the industry relies on substantial government support, and planned plants frequently overrun on time and cost. Even the industry finds it hard to argue that nuclear will become cheaper. As safety and operating standards improve, the technology has become more, rather than less, expensive.

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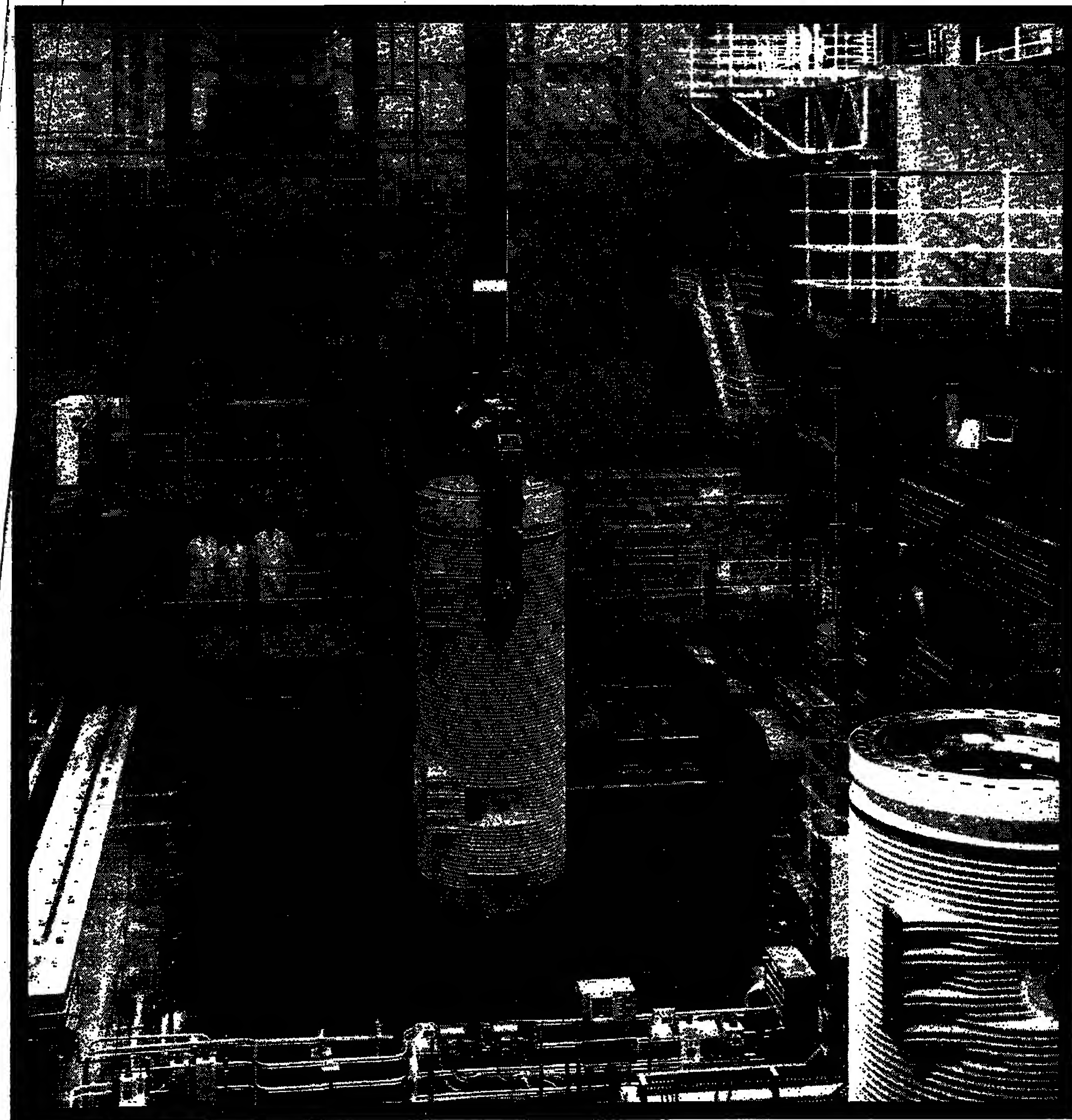
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WORLD NUCLEAR INDUSTRIES 2

The UK: can Nuclear Electric compete?

A clean new leaf

AS THE nuclear industry in the UK faces a government review, only an optimist would say its outlook was bright.

Its worst blow came in November 1989, when the government cancelled plans to privatise its nuclear assets. Costs, especially relating to decommissioning (or dismantling) nuclear stations, reprocessing nuclear waste, and building stations, had been significantly underestimated by the government, it emerged.

No more nuclear stations would be built, the government decided, until after a review of the industry's economics had been held in 1994.

Since then, the government's position on nuclear has been obscure. John Wakeham, the energy secretary, has occasionally voiced his support for nuclear - but he has also said that nuclear costs must be kept under control. And that, for the nuclear industry, is the rub. It is expected that, while safety and environmental issues will play their part in the 1994 review, it will be the cost of nuclear that really counts.

The question, however, is not whether Nuclear Electric can compete in the free market now. At the moment, the nuclear industry is subsidised - to the level of £1.25bn a year - through a levy on the electricity price. What the industry hopes to prove is that nuclear power will be competitive with other fuels in the future.

Calculating nuclear power's cost per unit, however, is far from simple, mainly because the UK stations were built over decades to different designs, making the cost of capital hard to assess. And because the industry is in the public sector, there is debate about the cost of capital that should be used in the calculation - the industry traditionally used 5 per cent, compared with 8 per cent in the private sector.

Dividing Nuclear Electric's total output by its total costs gives a unit cost of 4.2p per kilowatt hour (compared with between 3.2 and 3.4p for coal), the company says. But, it argues, the past costs of power stations should not be the basis for deciding whether power from new stations would be economic.

The company's new station, Sizewell B, it estimates, will produce power at between 3.5p and 4.4p per unit. Its second generation of pressurised water reactors, if it is allowed to build them, would take costs down to 3.5p per unit by 2005, the company believes.

This is a matter of debate, because sceptics do not believe



Sizewell B: power at 3.5p to 4.4p a unit is predicted

the industry will contain capital costs as it claims. Sizewell B, at today's estimates, will cost £2.150 per kWh to build. Hinkley C, the next station, would cost only £1.810 per kWh, according to Nuclear Electric.

But Gordon MacKerron, of Sussex University's science policy research unit, notes that the industry has a poor record on forecasting costs. The cost of building Sizewell B had overrun by up to 58 per cent, compared with original 1982 estimates.

To achieve a unit cost of 3.5p, Mr MacKerron estimates, capital costs would have to fall 35-36 per cent, to £1,400 per kWh.

Experience in France, Mr MacKerron points out, shows that although the cost of building the second or third plant of one design did fall, the cost of new designs kept rising.

"It is true to say that the costs of nuclear have not come down as anticipated," says Sam Goddard, at Nuclear Electric. "But we have learnt that we have to improve safety and use new technology. That will always be expensive. But what you will get is high quality, reliability, and safety - and that is never cheap."

Estimates of long-term provisions for decommissioning, and spent-fuel management, always elusive, have also risen as the onerous about decommissioning methods have changed. The Energy Committee's February 1990 report on the cost of nuclear power notes that these provisions were calculated at

£3.3bn at the end of March 1988, but rose to £10bn by the end of March 1990.

However, the industry is confident that it has turned over a new leaf since the days of the Central Electricity Generating Board, and should not be judged by its predecessor's record.

John Collier, Nuclear Electric's chairman, believes that Mr Wakeham's decision to cancel privatisation "galvanised" the industry. "Both Nuclear Electric and Scottish Electric are starting to perform."

Nuclear Electric increased its productivity by 6 per cent in the year to March 1991, and its turnover by 8 per cent. Operating profits rose by 44 per cent. Scottish Nuclear reduced its loss from £189.9m to £22.5m.

Although the imminent review has concentrated the industry's mind, it has a long way to go to convince its critics that it will compete on price in the next century.

However, there are other important arguments put forward for continuing to invest in nuclear power. Until recently, the most frequently cited was "security of supply". This argument is still used today. Oil and gas prices are volatile, their reserves may run out, and it makes sense to diversify into nuclear. There is, as John Gittus, director-general of the British Nuclear Forum, recently told a nuclear conference, no alternative.

This is not the view of the environmental lobby, which advocates both energy conservation and renewable energy such as wind and wave power. Though renewable energy has traditionally presented little challenge to nuclear, it was recently given an important boost by Colin Moynihan, minister for renewables, when he said he now anticipated it could supply 20 per cent of electricity demand by 2025.

A stronger argument in favour of the UK industry is the need to stop producing carbon dioxide and it is to this that the industry has recently pinned its most hopeful flag. Nuclear power is clean, in that respect at least. But the problems of waste disposal are still a big public issue, as well as an economic one.

Perhaps the most difficult obstacle for the industry to handle, however, is the government's commitment to a free market in energy. How would a new nuclear industry fit into that market, without distorting decisions to build new plant?

Juliet Sychrava

Europe: FT writers review progress, problems and policies

France's giant looks abroad

From William Dawkins in Paris

EUROPE'S LARGEST producer of nuclear power, Electricité de France (EDF), hopes to build further on its position as a big international supplier.

The state-controlled monopoly is close to the ceiling of its market in France, the world's most nuclear-dependent country, which draws between 75 per cent and 80 per cent of its electricity from EDF's 57 reactors, depending on the season. French electricity consumption has climbed only fractionally over the past four years, varying between 327bn kilowatt-hours in 1987 and 348bnkWh last year.

EDF is looking abroad not least because it needs a larger and more stable customer base to support its investments, pro

needs, a legacy of an over-ambitious investment drive in the 1980s as the country turned to an industrially high-profile nuclear programme to reduce its oil dependence on oil imports.

EDF believes France's nuclear surplus should be naturally absorbed by the middle of the decade, assuming a pick-up in the economy. Accordingly, officials say it does not plan to increase its proportional dependence on nuclear power, though the utility has ordered a new reactor this year and is planning another in 1992 or early 1993, to keep out in line with demand.

EDF is looking abroad not least because it needs a larger and more stable customer base to support its investments, pro



Bugey nuclear power station

vide the revenues needed to run down the massive debts, FF728.1bn (£40.5bn) at the end of last year, built up during its nuclear expansion. EDF also has to face the cash demands of a government struggling to keep its budget deficit under control.

So it is that EDF's exports rose by 8.5 per cent last year.

faster than the 8.4 per cent rise of overall production, to account for 12 per cent of the total. Switzerland was the largest customer, taking 13.6bnkWh out of the 46bnkWh total exported, followed by Italy with 12.9bnkWh and Britain with 11.9bnkWh, supplied through a cross-channel cable.

Beyond increasing exports, EDF is working hard to push its services as a supplier of engineering consultancy, design and construction to the creaking nuclear energy authorities of eastern Europe.

The most recent example is an accord signed last August between the Bulgarian energy authority, and EDF, Groupe Fonder Anjou, an investment company with energy interests plus Générale des Eaux, the French water and civil engineering group. The French partners are to advise Bulgaria on modernising its ageing nuclear plants, on environmental protection and staff training.

The first project, says EDF, will be the Kozlodou power

station, supplier of 40 per cent of Bulgaria's electricity, which was criticised for being dangerously run down in a recent report by the International Atomic Energy Agency.

Over the past two years, EDF has also delivered a computerised reactor monitoring system to the Soviet Union and opened negotiations for a joint venture to build reactors in Hungary and Czechoslovakia.

At home, the focus of EDF's search for a more stable customer base is on the innovative deals it has struck with big industrial power users such as Pechiney, the Juminium and packaging concern, where the electricity utility two years ago took a stake in a new aluminium smelter in return for providing power at preferential rates. It struck a similar deal last year with Exxon Chemicals, the US chemical producer, where EDF has invested in a new plant as part of a cheap power deal.

A role in the all-Germany policy

From Christopher Parkes in Bonn

THE DEBATE over the future of west Germany's richly-subsidised coal industry is temporarily suspended. Output of coal is to be reduced.

Jürgen Möllemann, economics minister, will shortly present the government with a new programme for an all-German energy policy. It will focus primarily on constraints imposed by the coalition's aim of reducing carbon dioxide emissions by 25-30 per cent by 2005, and the dilapidated condition of the German power industry.

Nuclear power will figure prominently in the debate. Mr Möllemann set out his stall cautiously in a sketchy preview published in October. Nuclear capacity, he said, would play a substantial role in electricity generation "as long as comparably secure, environmentally-friendly and cheap sources remain unavailable".

Participants in the debate include many political, environmental and philosophical factions. The Bonn coalition is broadly pro-nuclear. It takes its lead from chancellor Helmut Kohl, who

said earlier this year that an efficient energy policy was "unthinkable without a substantial role for nuclear". However, the predominantly social democratic governments of the states which comprise Germany are generally against. Although broad consensus between federal and state governments on the conditions to be applied to development of nuclear power was first reached in 1978, it has failed to underpin the stable development of nuclear industry.

Construction has stopped. A DM7bn (£4.3bn) fast-breeder reactor at Kalkar, on the lower Rhine, was abandoned earlier this year, 18 years after construction started, because the state government refused to issue operating licences. A new plant built by the BWG group at Kärlich-Mühlheim has idle following legal action by activists, and progress on a Siemens fuel-rod works in Hanau has been stalled for months following the replacement of the conservative CDU/CSU coalition state government by a mix of SPD and Greens.

Even so, Germany is a substantial producer and generator of nuclear power, and the economics, finance and energy ministries have put considerable resources behind efforts to ensure that development continues so that possibilities are kept open for future expansion, and also that major suppliers such as the Siemens subsidiary KWU are not shut out of international markets. Despite persistent outcry and protest, nuclear plant already supplies between 35 per cent and 40 per cent of west German electricity, compared with a 25 per cent average throughout the OECD.

Although the industry's share of the national energy research and development budget has been falling over the past 10 years, it still accounts for around 60 per cent of the total.

Some in the German power industry, encouraged by the switch of environmentalists' attention to CO₂ emissions and the greenhouse effect, and by encouraging noises from Bonn, believe the time is ripe to expand nuclear

capacity. Klaus Piltz, head of the VEB energy group believes the issue will be thought out again "in the light of the greenhouse effect". According to the latest data, east Germany is the largest per capita producer of CO₂ in the world, and the west comes just behind Britain in the rankings.

However, proponents such as Mr Piltz and Eberhard Gieske, chairman of RWE, are still reluctant to press too hard without an unequivocal lead from the government. Speaking in Essen in October, Mr Eberhard showed impatience at Bonn's sluggish preparation of an energy policy, and shrugged off the contents of Mr Möllemann's preliminary effort.

Persuading the innumerable factions in Germany - on the doorstep of Chernobyl - that it can play its part safely has so far proved impossible. But in spite of the political and administrative complexities, nuclear power has come from nowhere in the 1980s to provide around 18 per cent of primary energy requirements.

Swedes seek Finnish order

From John Burton in Stockholm

ABB ATOM of Sweden, which has built 11 of the 16 nuclear reactors in the Nordic region, hopes to get its first order for a new reactor in 15 years with the construction of Finland's fifth nuclear power station.

If the Finnish parliament approves the FM10bn (\$2.5bn) project next spring, Finland will become the first western country after France to order a new reactor since 1984.

Plans for a new Finnish reactor were originally proposed in the mid-1980s, but the Chernobyl accident derailed the project as political opposi-

tion to nuclear power mounted. The election of a new centre-right Finnish government in March has prompted a re-examination of the issue, with predictions that the country will need new sources of electricity after 1994.

Finland's electricity use is expected to double between 1990 and 2000, and the only alternatives to nuclear power would be to import electricity from Sweden and Norway or to construct coal-fired plants.

The new reactor would be owned by Fennovoima, a joint venture created by the state power company IVO, which operates two Soviet-built pressurised water reactors (PWRs), and the private power com-

pany TVO, which owns the two boiling-water reactors (BWRs) constructed by ABB Atom at the end of the 1970s.

Competition for the order has been heavy, with four final bids submitted last month. Both ABB Atom and Siemens are offering BWR units, while the Siemens/Fennovoima joint venture, Nuclear Power International, and the Soviet group Atom-energoexport want to build PWR units. All of the proposed reactors would have a capacity of about 1,000MW.

"We think we have a better than 50 per cent chance of getting the order," said Jan Rutermark, president of ABB Atom, which is part of the Swiss-Swedish group Asea

Brown Boveri.

One handicap that ABB Atom may face, however, is that it has not built a reactor since 1985 following the completion of the Forsmark 3 unit in Sweden. ABB Atom constructed Sweden's nine BWR units, while Westinghouse provided three PWR units.

The absence of reactor orders contributed to a sharp fall in sales and profits for ABB Atom after 1986, although results have since stabilised with turnover of SKr1bn (\$182m) in 1990 and operating earnings of SKr105m.

Nevertheless, the company is continuing to develop new reactors. In addition to designing the BWR 90, an upgraded

version of the reactors it applied earlier, it has conducted research on a new reactor called Plus (process inherent ultimate safety).

Plus involves a new safety system that allows the reactor to shut itself down if an accident occurs, and to cool automatically within its pressurised concrete vessel. "Plus is still a concept and we have no market for it," says Mr Rutermark. The project has also been hampered by a lack of funding, but new financial support was gained last December when ABB Atom formed a consortium with Ansaldo and Fiat in Italy to develop the reactor.

Mr Rutermark remains optimistic about future nuclear reactor orders. "We are at the beginning of a new dawn in the industry," he says.

The legacy of Chernobyl

Suspect units look safer

THE WESTERN nuclear industry has alternate nightmares and dreams about the Soviet Union and its former satellite countries in eastern Europe.

The nightmare is of "another Chernobyl" - a nuclear disaster that would make put an end to the industry's hopes for a revival during the 1990s.

The dream is of orders for new plants from a region that is starved of energy and heavily dependent on dirty coal-burning power stations.

Chernobyl itself remains under a cloud. The Ukrainian parliament voted last month to close down the whole plant in 1993 - two years ahead of schedule - after a fire in a non-nuclear area. Although no radiation was released, the incident heightened public fears about Chernobyl and its management.

Sixteen Chernobyl-type reactors (RBMK graphite-moderated) are operating in the Soviet Union. Extensive modifications were carried out after the 1986 disaster, which have satisfied some of the western concerns about their safety.

While the basic design of these reactors would not be safe enough to meet the high UK standards, there is no evidence that the design cannot be safely operated in a routine manner," said AEA Technology in a note circulated after last month's Chernobyl fire.

The Soviet Union did not export RBMK reactors. The ones supplied to eastern Europe were the V230 and V213 models of VVER-440 pressurised water reactors (PWRs).

The V230 is the older design. It has only an emergency core cooling system to provide water in case a pipe breaks. And it has no containment building to prevent release of radioactive materials in a serious accident. The more modern V213 has some containment and emergency water injection systems.

The strength of the Soviet PWRs, according to AEA Technology, is that they have a large volume of water in their

heat exchangers and large cores. They take longer to over-heat in an accident than their western counterparts.

Potentially the most dangerous reactors in eastern Europe, by general consent, are the four V230s at Kozlodou in Bulgaria. They have been poorly maintained and operator morale is low. But they cannot be closed, because they produce almost 40 per cent of Bulgaria's electricity. The short-term compromise is to shut down the oldest pair of reactors for maintenance as soon as possible and then carry



The count is down, but the cloud remains

out a safety overhaul of the whole site, with western technical assistance.

Czechoslovakia and Hungary have Soviet-designed PWRs that are in much better condition than Kozlodou. The four V213 reactors at Paks in Hungary are operating remarkably well. Both countries are considering whether to supplement their nuclear capacity by buying western-designed PWRs -

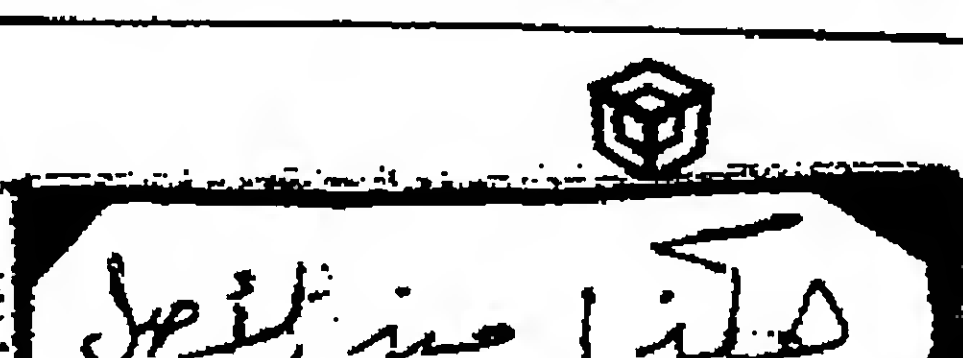
some of the output of which would be sold back to west European utilities.

Romania is to receive a CSU5bn loan from Canada to complete its first nuclear power station, a Candu reactor at Cernavoda. Its construction has been suspended because of lack of equipment during the last years of the Ceausescu regime.

Clive Cookson

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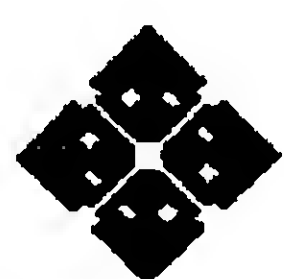
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The US: lobbyists gather strength

Back in favour

AFTER A decade which saw Chernobyl and the less dramatic Three Mile Island accident, nuclear energy in the US is slowly gaining political acceptance, as the nation seeks viable alternatives to fossil fuels.

Its rehabilitation is partly a by-product of the Gulf war, which highlighted the hazards of relying on the unstable Middle East for oil. But the industry is also benefiting from the growing strength of the environmental lobby. As air pollution, global warming and the ozone layer preoccupy the American public, nuclear energy is starting to look more acceptable.

According to a recent Gallup survey, 67 per cent of Americans believe nuclear energy should be used if it would curb greenhouse gas emissions and air pollution.

A bill is currently before congress which would give statutory authority to the Nuclear Regulatory Commission's proposed one-step licensing rule. This would simplify the licensing process by allowing just one permit, instead of the current situation where one permit is needed to build a plant and another is necessary to operate it. The move is designed to facilitate new plant construction and help nuclear energy compete.

It comes at a time when no new plants have been built in the US for nearly two decades. The US has more nuclear power stations than any other country - the 112 with operat-

ing licenses last year generated close to 21 per cent of the nation's electricity - but every new order for nuclear stations since the mid-1970s has been cancelled. The reasons include changing energy demands and soaring construction costs, though the legacy of fear after the near-meltdown of Three Mile Island has also been a factor.

Safety, both in terms of plant operation and waste disposal, remains the main impediment to the growth of the industry in the US. Fears that the Shoreham nuclear plant on Long Island could not be evacuated safely in the event of an accident prevented it operating. The New York state court of appeals recently voted to allow Long Island Lighting Company to continue dismantling the \$5.5bn plant which was completed in 1984.

Progress in waste disposal has also been slow. Although the government has conducted extensive studies at a possible permanent disposal site in Nevada, the plan has met local opposition.

Meanwhile, steps are finally being taken to deal with waste generated in the manufacture of nuclear weapons. Legislation was enacted this month to allow the first test shipments of transuranic waste to New Mexico's waste isolation pilot project. If the public is satisfied that this waste can be safely handled, transported and shipped, it will help to ensure the growth of nuclear energy. This year has also high-

lighted problems with ageing nuclear plants. The nation's oldest, Yankee Rowe in Massachusetts, was closed indefinitely last month amid concern that the pot which holds nuclear fuel had become brittle after 30 years of radiation.

Yankee Rowe, built in 1960, has also been at the centre of a dispute over the relicensing of older plants. It was has been operating on a 40-year licence, which is due to expire in 2000, and was to have been one of the first plants to apply for renewal.

Yankee Rowe is expected to remain off-line until April, when it is scheduled to be refuelled, and when tests will be conducted on the fuel-holding vessel.

Although Yankee's vessel design differs from those at other operating nuclear plants, the problem of ageing is likely to occur elsewhere as time passes. Watchdog agencies are concerned about the corrosiveness of the steel used in pipes at some US nuclear power stations, such as Surrey in southeastern Virginia. And observers are also worried about more mundane problems, such as the electrical wiring which, in some cases, dates from the 1950s.

Karen Zagor

WHATEVER happens to the nuclear industry as a whole, one sector has a bright future - decommissioning.

Statistics presented to an international seminar on decommissioning, organised last month by the OECD's Nuclear Energy Agency (NEA) in Paris, show that 55 nuclear plants worldwide had already been shut down permanently by the end of 1990. Most are small reactors (less than 200 megawatts) built as experimental or demonstration projects.

At the same time, the world had 423 nuclear plants in operation, with an average age of 11 years. The number reaching the age of 40 - the point at which most will be ready for decommissioning - will start to rise rapidly after 2005 and reach a peak around 2015. Even so, the NEA expects more than 60 commercial plants to become candidates for decommissioning by the year 2000.

According to the NEA, the UK has a particularly large number of elderly reactors. The average age of UK plants is 20 years, and 16 of the world's 19 nuclear power stations which exceed the age of 25 are British Magnox plants; eight of these will be over 40 by 2000. And the UK's gas-cooled reactors are larger than their water-cooled counterparts overseas and therefore more expensive to decommission.

So decommissioning is a particularly important issue for Nuclear Electric, the main UK nuclear operator. In June, the state-owned company announced a new strategy for

The long goodbye

Life ends at 40 for most nuclear power stations, but closure may be a lengthy process. Clive Cookson discusses decommissioning, and in particular a proposed UK strategy

decommissioning, which it has submitted to the government for approval. (It cannot be adopted officially until it has been endorsed by the Department of Energy.)

Nuclear Electric estimates that the new strategy will bring down the eventual cost of decommissioning its eight Magnox and five AGR power stations from £2.9bn to £2.1bn (in 1991 pounds) by postponing the dismantling of its plants after they have closed down. The strategy has several stages.

■ 0-4 years after shut-down: Take all spent fuel out of the reactor. This removes more than 99 per cent of its radioactivity.

■ 5-6 years: Prepare the site for long-term surveillance by making the whole structure weather-proof and carrying out minor landscaping.

■ 6-35 years: Keep the site under surveillance.

■ 35-37 years: Cocoon the radioactive plant and buildings in a maintenance-free concrete "safestore".

■ 37-135 years: Second surveillance period.

■ About 135 years: Either dismantle the safestore and the reactor inside and clear the site, or carry out "in situ decommissioning" - in other words bury the whole structure inside a landscaped artificial hill.

Nuclear Electric's previous decommissioning strategy involved dismantling the whole plant outside the reactor's biological shield as soon as the fuel had been removed, and then sealing the reactor for a 90-year surveillance period before finally restoring the site to a green field. So the new strategy would defer both partial clearance and final clearance by at least 30 years.

The main advantage of the new strategy is that, by reducing Nuclear Electric's decommissioning liability, it makes the company's profit and loss accounts look healthier by about £50m a year. But it also brings radiological benefits, according to Fred Passant, waste and decommissioning

Agency.

In addition, the EC has a Ecu31.5m programme from 1989-93 to support research into new techniques for decommissioning. It is contributing to four pilot projects, including the dismantling of Britain's Windscale Advanced Gas-cooled Reactor which closed down in 1981 after 18 years operation as a prototype AGR.

The latter is a £80m project funded by AEA Technology; the reactor's top dome was removed earlier this year and dismantling of the core is scheduled to start in 1993. The AGR will have been dismantled completely by 1996.

The EC programme also includes the Gundremmingen boiling water reactor (KRB-A) in Germany, the first power plant with a capacity of several hundred megawatts to be dismantled. Its decommissioning is scheduled for completion in 1999.

With more shut-down nuclear plants than anywhere else in the world - eight in the west of the country and five Soviet-designed reactors in the east - Germany faces a formidable decommissioning problem.

The German utilities, nuclear industry and government have not yet agreed how to finance the operation. Nor is there a political consensus on whether the German objective should be complete dismantling and restoration of a green field site as soon as possible, or the more limited and less expensive strategy advocated by Nuclear Electric in the UK.

One day, all power stations will be made this way.
(On budget and ahead of schedule.)

At Sizewell in Suffolk, Britain's first Pressurised Water Reactor is presently under construction.

Costing £2,030 million*, it's one of the biggest single engineering projects ever commissioned in Britain. What's more, it's both on budget and well ahead of schedule (to begin generating the first electricity in 1994).

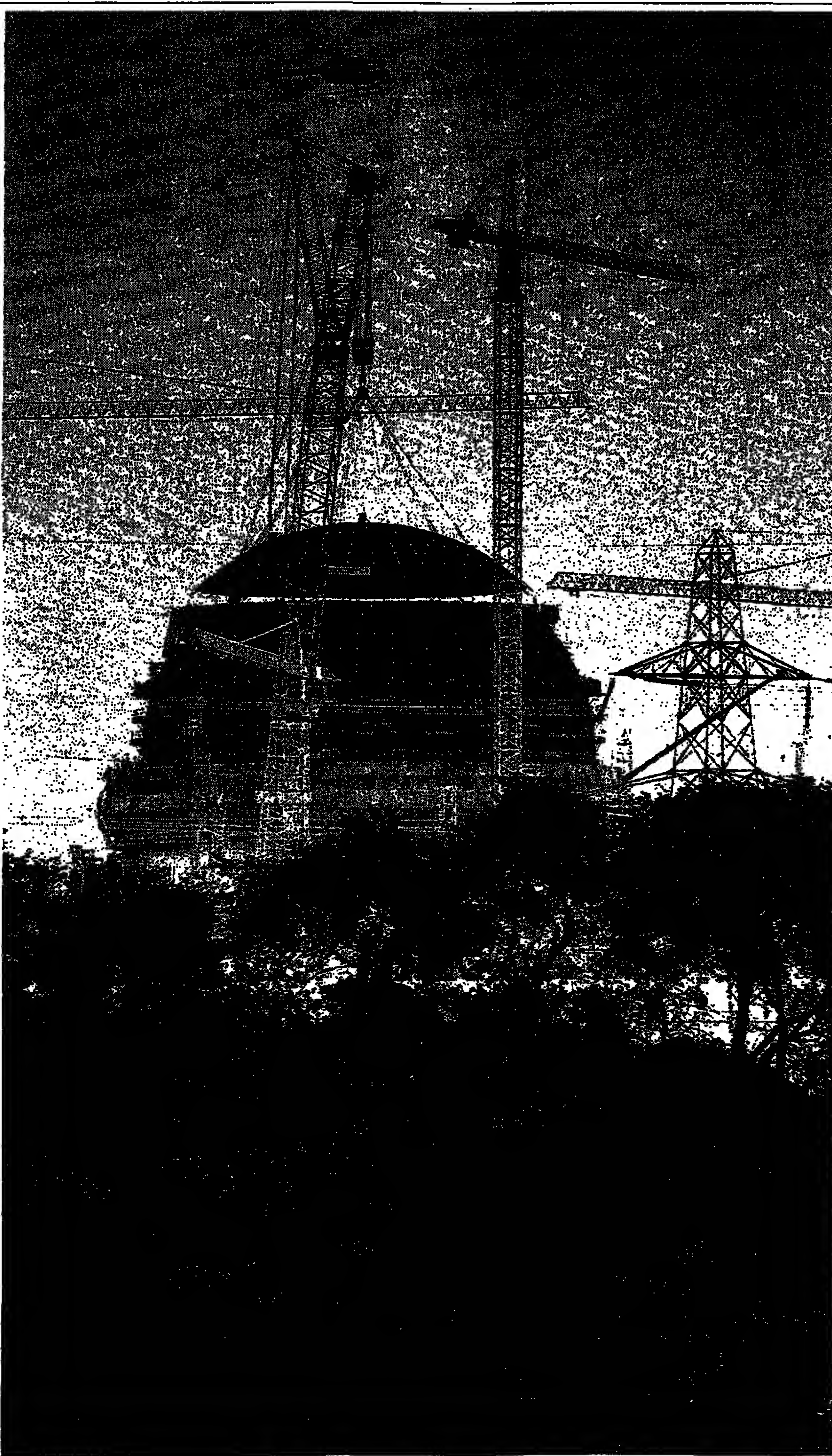
The company responsible for the Sizewell B project is Nuclear Electric plc. We own and run the twelve nuclear power stations in England and Wales, producing over one sixth of the country's electricity supply.

Since being formed in 1990, we have performed rather well.

Turnover and profit, for example, have increased by 8% and 44% respectively. Productivity is also up by 11%, while costs have been reduced by 15%.

And with the addition of Sizewell B to our generating capacity, ensuring a balanced energy supply well into the next century, the future couldn't really look brighter.

* 1987 figures.



Mihama control room: the accident was a turning point

As Japan plans more reactors...

Dissent grows

JAPAN'S ATOMIC Energy Commission and other government organisations say the nation must continue to construct two nuclear reactors a year at least until 2010.

But many people are sceptical. With more than three dozen reactors on the four major islands, the country already possesses an immense atomic energy infrastructure. Besides the growing demand for electricity, the ministry of international trade and industry (MITI) and the nine regional electrical utilities want to enlarge the power-generating capacity. Forty-one nuclear reactors, with overall capacity of 32 gigawatts, are commissioned and Hidesaki Tsunaka, of the Science and Technology Agency's atomic energy bureau, says the government estimates that at least 40 more are needed by 2010.

But growing this advocacy is a growing anti-nuclear movement, which first gained prominence in the wake of the Chernobyl accident.

A turning point was the accident in February at Kashiwa Bay's Mihama-2 reactor in Fukui Prefecture. Mihama-2 was shut down when an emergency core-cooling system was activated. The problem was traced to faulty installation of components. Anti-nuclear activists expressed concern about major earthquakes, the long-term safety of reactors and their shut-down mechanisms, and nuclear waste handling and storage problems. They say Japan should focus more research on solar and other clean power sources, while increasing efforts to conserve energy. The government replies that the nuclear option is "clean", because it does not add to atmospheric warming.

Japan's latest white paper on atomic energy admits that the Mihama-2 accident caused anxiety among the people. It also acknowledges that nuclear power is "potentially dangerous", but goes on to guarantee the safety of Japan's nuclear plants.

Because Japan has no energy sources of its own (except some hydroelectric plants), MITI, as well as the Science and Technology Agency

and its affiliates, is promoting the use of plutonium as a mixed fuel in some light-water reactors as well as experimental fast-breeder reactors. Plutonium is a toxic material that can also be used to make bombs; consequently, worries are proliferating about the ways in which Japan will transport, use, reprocess and store it.

The main challenges facing the government are: to find seaside sites for reactor construction; to continue its huge atomic energy R&D programme; and to reassure the people over safety.

Japan is starting to construct many advanced pressurised water reactors (APWRs) and advanced-boiling water reactors (ABWRs). Mitsubishi builds PWRs, while Toshiba and Hitachi construct BWRs. Tokyo Electric Power Company's initial pair of A-BWRs are the Kashiwazaki-Kariwa-6 and -7 reactors, both rated at 1,356 megawatts, to start operations in August 1996 and July 1997, respectively.

Due to modular design, experienced construction consortia and improvements in basic design, Japan's reactors are built quickly, in about five years. Main problems do not relate to construction, but to getting approval from rural townships to use seaside sites.

Approval involves negotiations over compensation to fishing unions; the amount of infrastructure, such as roads and community centres, to be built and special taxes to be paid by the power utility.

It is becoming difficult to find appropriate sites for reactors, because people in rural areas are more intense in their questioning of government and corporate safety assurances.

One of the biggest problems is waste storage. Low-level and high-level radioactive waste materials will be placed in two storage centres, to be built by 1999 at the big nuclear fuel-cycle facilities at Rokkasho-mura, in Aomori prefecture. Moves are also under way to construct an underground storage centre for highly toxic atomic waste in Horonobe, central Hokkaido.

Neil Davis

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Nuclear Electric

MANAGEMENT: Marketing and Advertising

If the price is wrong

Last month Britain's big clothing stores marked down the prices of one-fifth of their clothes to entice customers to buy. October is not even a traditional sales month. The recession has sharpened competition in the clothing market and has put renewed emphasis on price as a means of winning custom.

Yet, Verdict Research, a retail consultancy which has just completed a study of clothing prices, suggests that most retailers have not pursued a consistent pricing policy and risk confusing if not irritating their shoppers.

Clothing retailers have made few attempts to collate or analyse comparative prices nor position themselves in the market accordingly. Instead, Verdict says they have followed an ad hoc pricing policy relying on their own instinct.

Even between menswear and womenswear at particular chains, Verdict has detected a difference in prices. Richard Hyman, author of the Verdict report, argues that such discrepancies can confuse the shopper. A difference in price position represents lost sales and lost profits, he suggests.

Yet one of the most striking findings to emerge from Verdict's study is the difference in trading philosophy between some of the big chains.

For example, Marks and Spencer, the UK's biggest clothing retailer, has adopted a radically different approach to pricing than Burton Group, the next biggest player - which might provide a clue to the two companies' differing fortunes.

Verdict shows that in October M and S offered 240 different items of womenswear whereas Burton's four chains - Debenhams, Dorothy Perkins, Principles and Top Shop - had five times that number.

In October, M and S sold its raincoats at two different prices, whereas Debenhams alone had 12 different prices, and seven of them were reduced. A small product range enhances the economies of scale in ordering and distribution and simplifies stockholding and displaying goods.

John Thornhill

After years on a restricted diet of Golden Delicious, Granny Smith and Cox's, British shoppers are rediscovering almost forgotten varieties of English apples. Marks and Spencer plans to stock 18 English varieties this autumn and winter, J. Sainsbury 38 and Safeway 45.

Traditional English apples have not been widely available since they were swept off the shelves by cheaper, mainly French-grown, imports after Britain opened its market fully to the European Community more than a decade ago.

UK fruit growers had all but resigned themselves to the demise of venerable varieties such as Laxton Superb, James Grieve and Chivers Delight, and many had started grubbing up the trees which grew them. Today, thousands of trees bearing these varieties are being re-planted across southern England.

But is the return of the English apple a tribute to the multiples' responsiveness to changing consumer tastes - as they themselves would have it - or a belated recognition of public demand?

Some growers and packers say they tried in vain to interest supermarkets in a wider range. "The multiples were not providing what consumers wanted - they were providing what they thought they could get the biggest mark-up on," says the Earl of Selborne, a leading fruit grower who supplies Sainsbury's from his Hampshire estate.

The supermarkets blame the growers. "For many years they produced what they wanted to grow, not what the consumer wanted," says Alan Cheeseman, Sainsbury's apple buyer.

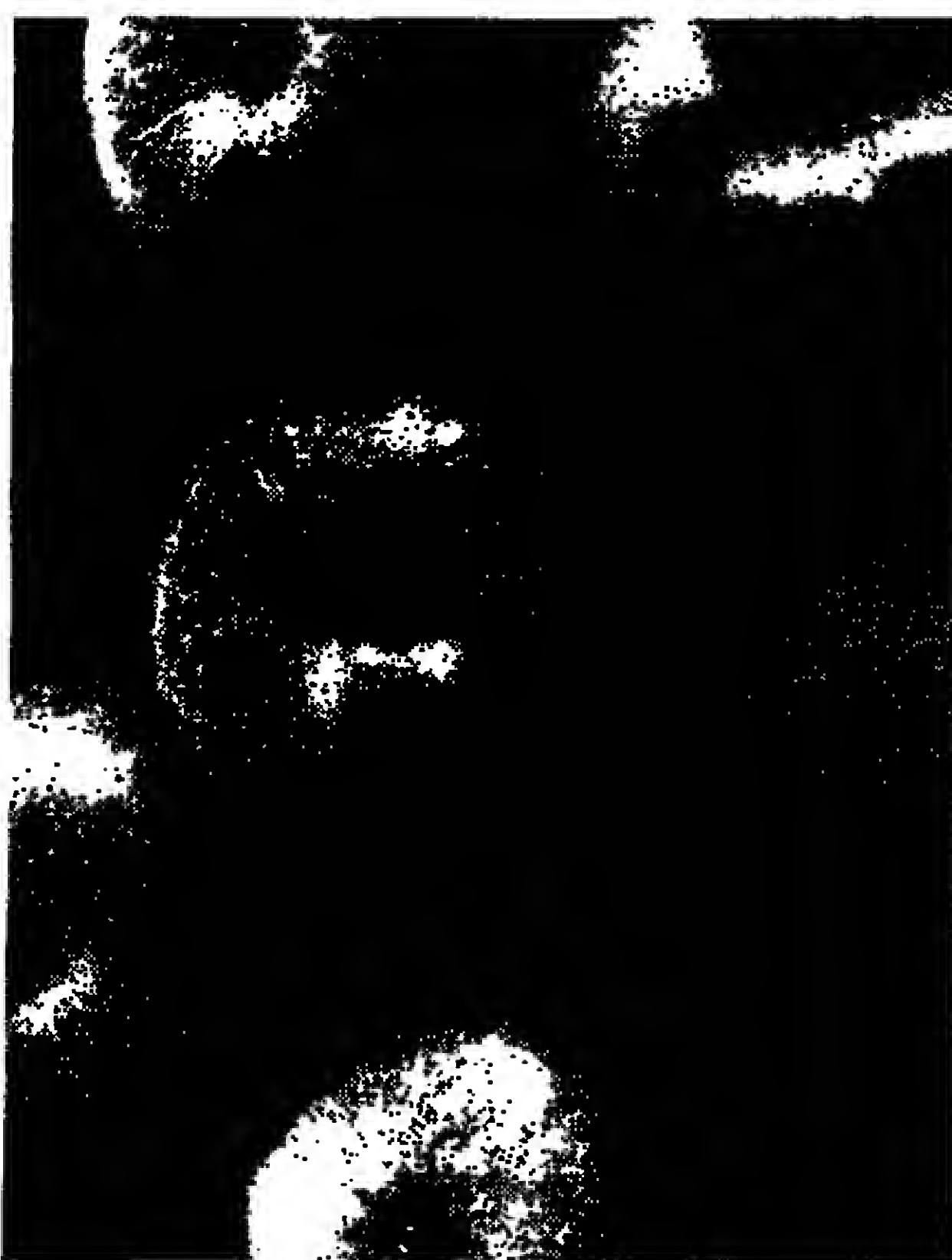
There is truth on both sides of the argument. The multiples' heavy investments in automated techniques such as bar-code scanning and centralised distribution systems have given them an incentive to sell standardised products which can be delivered in large volumes at regular intervals.

Nothing could suit these requirements less well than traditional English apples. Produced by a fragmented cottage industry of 750 commercial growers - some with only a few acres of orchard - they can be hard to grow, crop erratically, need delicate handling and have short shelf lives.

Many varieties have a season of only three or four weeks and dribble onto the market in tiny amounts. Safeway estimates that only 20 per cent of the 150,000 tons of apples grown commercially in the UK last

The crunch has come

Guy de Jonquière rejoices in the return of the English apple



year were not Cox's or Bramley.

Furthermore, even growers admit that until recently they were poorly organised and their quality patchy. In the past few years, however, they have realised they had to become more commercial to survive.

Closer collaboration has played an important role. A start was made in the early 1980s with a joint initiative to draw up common standards in areas such as packaging, grading and quality. Since then, cooperatives have grown steadily: 60 per cent of all UK-grown apples are sold through cooperatives today, double the proportion a decade ago.

English Apples and Pears, a promotional organisation formed four years ago, has begun sponsoring television commercials, with support from larger cooperatives such as East Kent Packers and Home Grown Fruits.

The larger cooperatives have become more enterprising, too. At Home Grown Fruits, managing director Malcolm Schofield, a former Cadbury-Schweppes executive, has launched several successful marketing initiatives. One has been to package smaller apples with a children's comic and sell them as fruit for school lunch boxes. Such apples, which often had to be thrown away in the past, now com-

mand premium prices.

The growers have even begun to export. After much of their crop was blown to the ground in 1987, they began selling Bramley windfalls to continental buyers for juicing - a business which has developed into a small but steady trade.

Meanwhile, more research is going into making English apples harder and easier to grow. Much of the work is being done at Brogdale, an experimental horticulture station near Faversham in Kent, which the Prince of Wales helped save earlier this year after the Ministry of Agriculture decided to cut funding.

Most growers and packers agree that Marks and Spencer was the first large retailer to recognise that it could capitalise on these more business-like attitudes. At least some of the credit for bringing the two sides together goes to Common Ground, a heritage charity which had chosen the English apple as a symbol of its own efforts to restore the British landscape. Common Ground approached M&S in 1989 about stocking older English varieties and a year ago persuaded the group to take a stall at an "Apple Day" festival in London's Covent Garden.

David Gregory, M and S' fruit technologist, says the group liked the idea because English apples could be handled by systems it had developed to distribute sandwiches and other fresh products. Unlike some competitors, M and S does not store its English apples in low-oxygen warehouses but delivers them to its shops once they are ripe. M and S says it has improved the supply chain by organising regular meetings with growers, packers and propagators and exchanging information with them. Encouraged by this show of support and by their contacts with other retailers, growers are starting to re-plant their stocks.

This investment is not without risk, particularly for smaller producers. Planting costs about £1,500 an acre, and an apple tree does not begin to yield commercial crops until it has been established for between three and five years.

Much will depend on the retailers' long-term support. Lord Selborne says some growers are a bit cynical about how long it will continue. However, Peter Lovelace of British and Brazilian, a Suffolk-based packer and grower, is more confident. "It started as a fad, but it has a long way to run. I wouldn't say that if they didn't taste so good," he says.

Teams take field for football card match

Gary Mead joins the soccer-mad schoolchildren who have millions to spend on the latest craze

A battle is raging in UK school playgrounds for the hearts and minds - as well as the pockets - of football-crazy youngsters.

With the football season well into its stride, a marketing tussle over football cards is in full swing. Even City stockbrokers are swapping cards when not trading bonds.

Card-collecting is a \$2bn business worldwide. In the US, single examples of rare baseball cards can fetch several thousand dollars, attracting adults as well as children. In the UK the hobby has barely begun, though with some 7m children aged between five and 14, each with around 24 a week pocket money, it could take off.

For 50 years, Panini, an Italian company, has produced albums and more than 30bn stickers for children, covering a wide range of Walt Disney characters and stories. Panini was bought for \$30m in 1989 by Maxwell Communications Corporation. Bruce Burgess, the company's marketing director, was hoping to stir 10-year-olds with its "Football Card Collection". But the death of Robert Maxwell, the power behind MCC, means that Panini is now vulnerable. There are indications that MCC may now sell Panini; a couple of rival card producers are sniffing around, though their hopes to buy it for less than \$50m might still persuade MCC to retain Panini.

Merlin Publishing is the UK distributor of the US company, Super League Publishing, whose rival set of football cards is "Shooting Stars". Super League Publishing is a subsidiary of Patricia Kluge Investments, owned by the former model Patricia Kluge.

The third giant in the game, Pro Set, is owned by a former Vietnam war pilot, Ludd Denney. Denney established Pro Set, a Dallas-based company, in 1989. Pro Set UK claims to have sold 15m of its first football card series, launched in February.

Pro Set UK sells its Football League-endorsed "Player Cards" in packets of 10 for 35p, the same format used by Pan-



ini. Merlin's packet of 15 cards costs 50p.

Though all insist their cards are superior, all three are similar on a casual glance, featuring soccer stars from the British leagues. The scrumming for market domination focuses on the degree to which the companies can win an advertising blitz.

According to Bruce Burgess, only one set will gain that elusive factor, schoolboy snob appeal. His marketing strategy for Panini - playing on children's desire for trendiness -

has been halted by MCC. Nothing daunted, he has just signed a contract with former rival Pro Set.

The main card outlets in the UK are 40,000 newsagents, but each of these main players are heavily promoting their products through television, newspaper and magazine advertising, banking on what Burgess calls "poster-power" - children driving their parents' spending.

Panini had links with the Mirror group, with a planned advertising budget - now probably abandoned forever - of some £2m. Pro Set, also with a £2m promotional campaign, has teamed up with News International.

Super League Publishing is planning a \$750,000 advertising campaign on the satellite television channel Sky.

Burgess has ambitious plans. Early 1992 he hopes to launch a multibillion-dollar joint-venture marketing campaign, which would have linked Panini - but will now connect Pro Set - with up to six other companies that sell to 10-14 year olds.

Initially, Pizza Hut will join Pro Set in cross-promotion ventures. Burgess is marketing a Pro Set-Pizza Hut nationwide kids' club, which he hopes will time into young people tastes rather than ponder what parents think their children's taste should be.

Pizza Hut's staff in their 202 UK outlets are undergoing training to orient them more to teenage tastes. Pro Set and Pizza Hut will heavily promote one another's products. Burgess sees the cross-promotion venture as a key device for gaining market dominance: be it Panini or, as now, Pro Set. "We don't want to help the development of football. We want to build a craze and be slightly rebellious, because that's what kids really want."

So far the UK and European card market is geared entirely towards youngsters. That may change. Now that Panini is going through tough and uncertain times, Pro Set hopes that one day - soon - it will clean up not just in the US but in Europe too.

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A ROWING-BOAT FOR A LIQUEUR. (POSSIBLY THE BEST SWAP IN HISTORY.)

A red-faced English officer bursts into the little hut. "We have found your boat, MacKinnon! You will not be proud!"

There was no fear in the old clan chief's heart, only pride. And in his plaid, a strange gift from the royal rebel he had spirited in safety.

MacKinnon turned the dungeon and so did his

reward: the recipe for Prince Charles Edward Stuart's personal liqueur.

The drink that became Drambuie.

To this day, only one MacKinnon in each generation knows the formula.

He will confess to the use of various rare 15 year old malt whiskies.

He will reveal that Drambuie is sweet and mellow on its own, slightly drier over ice and a match for most mixers.

But ask him about a certain secret herbal essence and he'll be rather more forthcoming.

He'll tell you to go and find it in a lock.



BASLE AND THE UPPER RHINE

Thursday November 21 1991

Basle sees its future, like much of its distant past, being bound up more with the development of



its own region and the rest of Europe rather than with Switzerland. Links across the border with both France and Germany are already strong. Ian Rodger reports

Tantalising goal of unity

If you look at a relief map of the upper Rhine region, the most striking thing about it is that Basel, although part of Switzerland, is cut off by the Jura mountains from the rest of the country. However, it is wide open to southern France and Germany with which it shares the upper reaches of the Rhine valley.

These observations are repeated often in Basel these days because this extraordinarily prosperous city sees its future, like much of its distant past, being bound up more with the development of its region and Europe rather than that of the rest of Switzerland. And that is why, perhaps more than anywhere else in Switzerland today, there is open anxiety in the city about the prospect that the country will reject the opportunity next year to join, first, the European Economic Area (EEA) and, at a later stage, the European Community (EC) itself.

"We know our national boat is on an ocean. To pretend that it is only on our own lake will not help us," says Mr Georg Krayer, chairman of the Basle Stock Exchange.

This anxiety does not arise exclusively from the fear of being excluded from the development of Europe. It derives in part from the growing realisation that other pillars on which the city has built its prosperity in the past century are also shaking a bit.

For example, Basle-based banks, which have catered so successfully in the past to French and German individuals seeking security for their fortunes, now find that a new generation does not see Swiss monetary stability as being

any greater than that available elsewhere in Europe.

Thus, the banks are learning that they must compete like any other financial institution for business, using whatever advantages they can muster. And one of the few advantages they have left is a strong international financial centre in Zurich.

Meanwhile, the chemical-pharmaceutical industry, which has contributed so much to the city's prosperity in the past century and still dominates its industrial structure, has begun to shift its high-value research and production activities elsewhere.

To some extent, this is an inevitable trend, as multinational companies, including the Basle-based Ciba-Geigy, Roche and Sandoz, feel increasingly obliged to move closer to their main markets. However, agreeable it may be, Switzerland is not a leading market.

But relations between the chemical companies and the city were severely - perhaps irreparably - damaged by the fire at a Sandoz warehouse in nearby Schweizerhalle five years ago. The water used to put out the fire drained into the Rhine, taking toxic liquids with it that caused severe damage to marine life in the river.

"People here lost faith in the industry and the industry lost its innocence," Mr Urs Weber, editor of a new regional newspaper in Basle, says.

Ciba-Geigy's lengthy, and so far unsuccessful, struggle to win public approval to carry out R&D in the city using genetic engineering has shown the companies that Basle may no longer be an accommodating environment for them.

Basle's problems should not be exaggerated. With a per capita income of nearly Sfr53,000 (\$36,800) a year in 1988, the city was the second-wealthiest in Switzerland after Zug. And it can honourably claim to be the cultural heart of Switzerland, with more than 30 public art collections and 150 private art and antique galleries within its limits.

Also, it might not be a bad thing, from a regional point of view if the intensity of industrial activity in Basle did recede a bit. The city has long showed signs of being absurdly overdeveloped. Huge industrial and transport facilities sit cheek-by-jowl with quiet residential districts. If a company wants to expand or modernise its facilities in the city, it has no choice but to tear down existing buildings first.

The lengths to which the big companies have in the past been willing to go to stay in Basle is perhaps best illustrated at the Sandoz complex hugging the French border. Lacking space for water treatment facilities, the company built a plant in 1981 on adjacent land on the French side of the border, and now pumps its waste water through an underground pipe to the plant.

However, the French did not want the purified water going into the Rhine on its side of the border because that would count against their quota for such discharges. So Sandoz has to pump it back into Basle before releasing it into the river 300 meters upstream from its French purification plant.

Several years earlier, when the company needed more parking space, it proposed building a parking lot on the French side of the border that would be entirely fenced in and accessible only from the Swiss side. The French agreed, thus creating a small island of international border, but only on condition that Sandoz modernised an old dyestuffs plant on the French side of it.

The pressure has continued to intensify. The number of people crossing every day into Basle to earn their living, mainly from Upper Alsace, but also from southern Baden-Württemberg, has doubled in the past decade to more than 35,000. This puts additional strain on the infrastructure and causes not a little resentment elsewhere, especially as more and more of these "frontaliers" are scientists, managers and other white collar

workers. Mr André Klein, secretary-general of the Département du Haut-Rhin at Colmar, says bluntly: "We would rather that there were more factories in France than have all these frontaliere going to Basle every day."

Mr Klein and others think the problem of economic differentials between the three areas will gradually ease as regional planning and co-ordination progress. And he is joining wholeheartedly in efforts to develop the so-called "Dreieck-land" or triangle region. "We are a unified entity, and we need a common promotion effort," he says.

The unity of the region is a tantalising idea from many points of view. While Basle is overcrowded and lacking in space, the neighbouring French and German jurisdictions have lots of space and available labour.

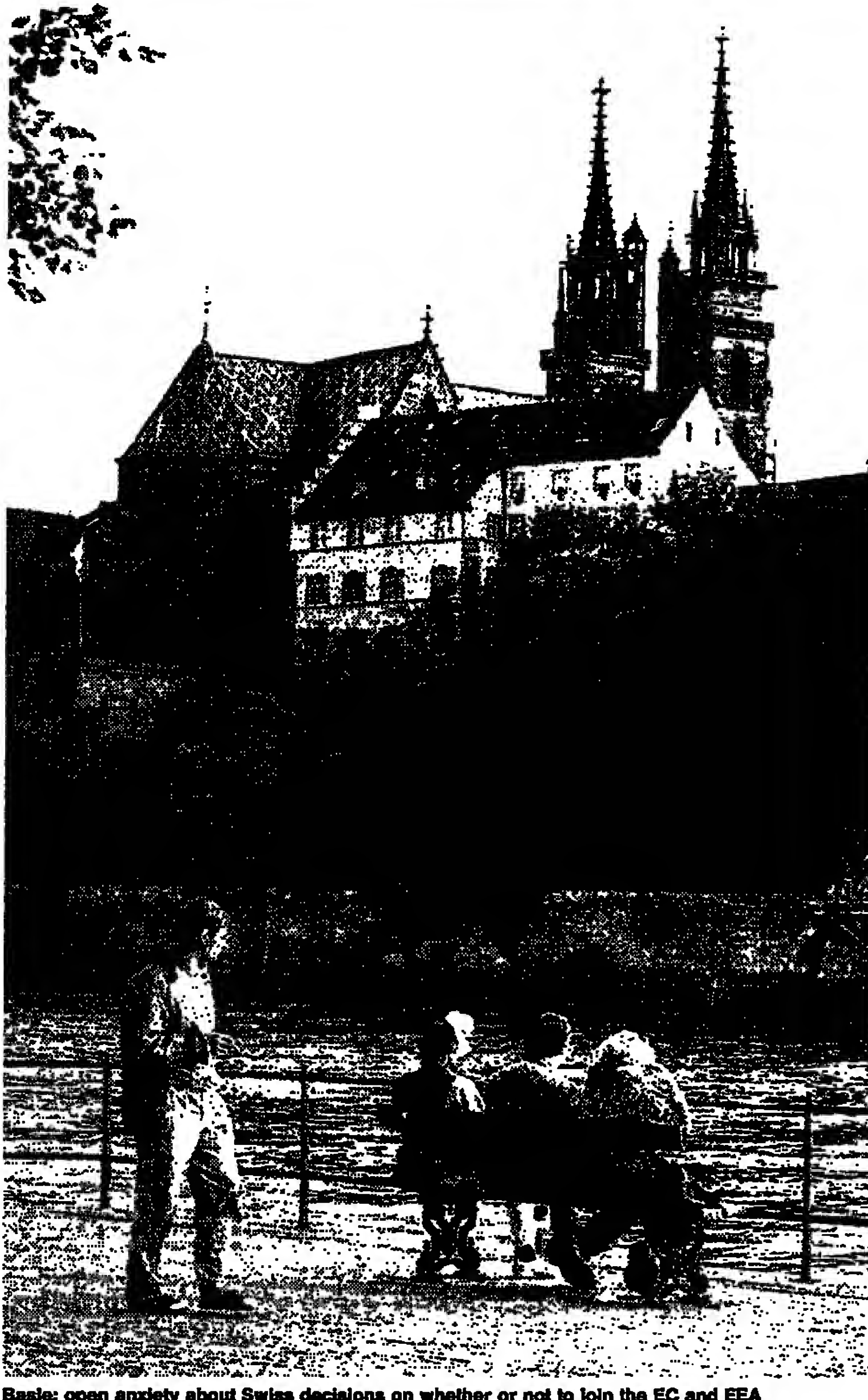
Being in the heart of Europe, the region has long had an important role in the movement of both people and goods. It is no coincidence that two of the world's largest freight forwarding groups, Dammes and Penzance, have their headquarters in Basle.

There are also strong cultural ties among the peoples of the region, despite the ravages of scores of wars and changes of borders over the centuries. The existing borders are largely the product of the Reformation when Basle became Protestant, Roman Catholics converged on Freiburg and the Alsacians sought protection from the French throne. However, a common Alemannic dialect is still spoken in all three countries.

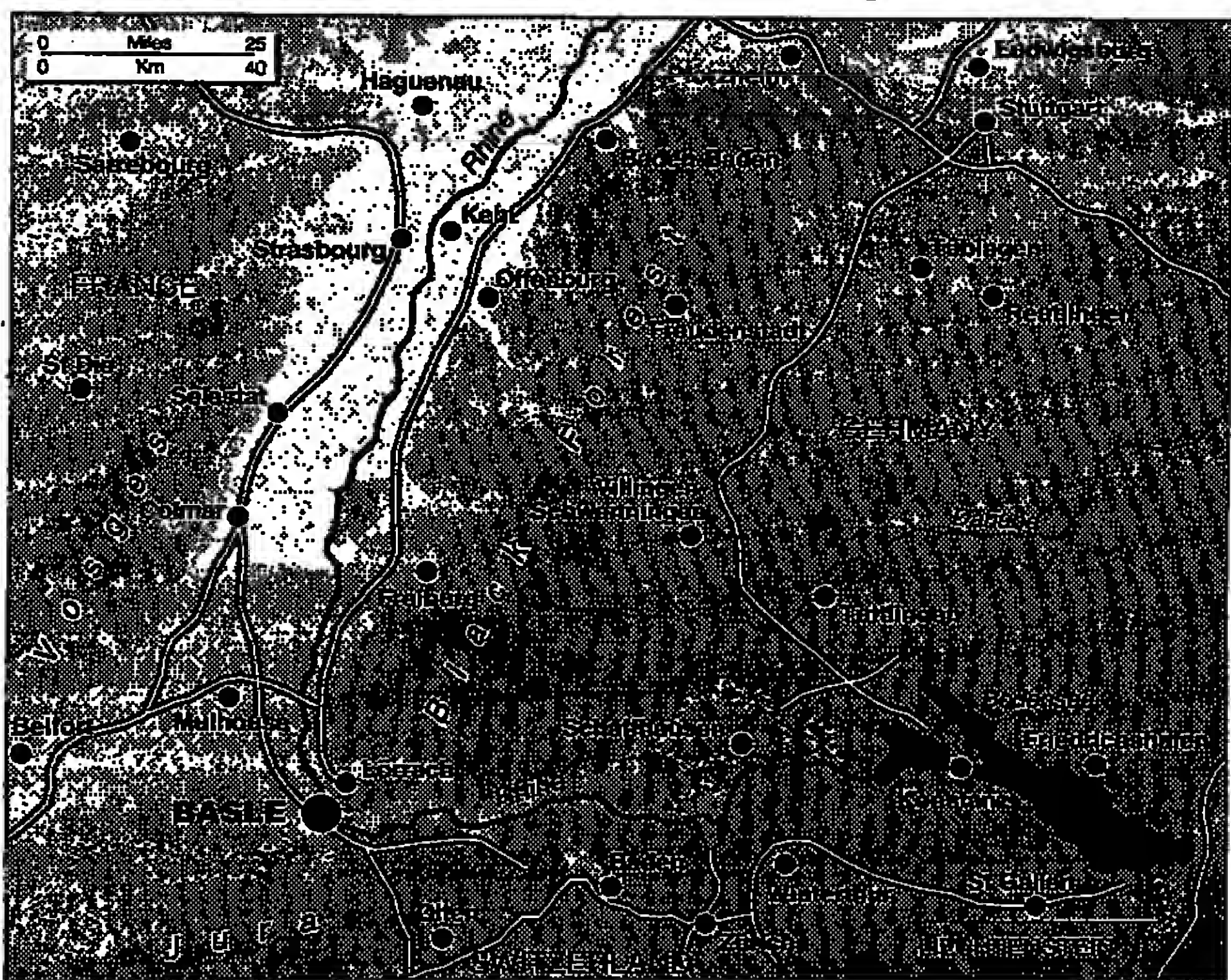
It would be a considerable achievement if the three national governments could co-ordinate their national wills to the desires of these people to develop their region.

"We are a model for Europe," says Mr Hans Briner, the man who is generally credited with the idea of promoting regional co-ordination in the post-war era, and who has been working on it tirelessly for 27 years as head of an organisation called Regio Basiliensis.

"We want a Europe of regions, not countries," Mr Briner says.



Basle: open anxiety about Swiss decisions on whether or not to join the EC and EEA



REGIO BASILIENSIS

Something to celebrate

HANS BRINER still beams with pride as he recalls December 15, 1989.

That was the day that President François Mitterrand of France, German Chancellor Helmut Kohl and the then Swiss prime minister, Jean-Pascal Delamuraz, all came to Basle.

Not only did they come, but they did so in a most spectacular way, each in his country's new high-speed train, meeting at Basle's main railway station to pay tribute to the efforts of Mr Briner and his colleagues to promote unified development in the upper Rhine region.

The building of close economic and cultural relations among the peoples of Upper Alsace, south Baden and north-west Switzerland in recent years is certainly something worth celebrating. For centuries until then they seemed to spend most of their time at each other's throats. In the past 110 years, for exam-

ple, the border between France and Germany in the region has shifted four times.

People in the region agreed that much of the credit for promoting the improved climate belongs to Mr Briner, a Basle-based economist who was inspired by the signing of the Treaty of Rome and set out to try to build bridges between France and Germany at the regional level.

In 1964, he formed Regio Basiliensis, a regional promotion organisation, with backing from the urban and rural Basle cantonal governments and industry. A similar organisation was formed in Mulhouse in France two years later and in Freiburg much later in 1985.

Mr Briner then sought to win some power for the Regio over regional planning, succeeding in 1976 when the French, German and Swiss governments agreed to set up a joint commission to oversee co-operation in the region.

Since then, committees of local officials have worked diligently on such matters as regional transport networks, environmental protection, and promotion of the like.

It is not easy to pin down exactly what this now rather unwieldy apparatus has achieved, but there is no doubt that a sense of belonging to a region has become more widespread in the past few years, and preoccupations about borders have tumbled.

Take the case of Swiss Bank Corporation, which has long had its headquarters in Basle, but had never thought much until recently about doing business in neighbouring parts of France and Germany. It was all too daunting, what with different laws, customs and practices on personal and small business loans in the two foreign countries.

Three years ago, a team was set up to try and tap the regional market. "We are looking for people who live up

to an hour away from here by car and read the same papers and speak the same dialect as we do," says Mr Paul Lachaux, the bank's vice-president who heads the team.

On a totally different level, in the late 1970s all three national governments had ambitious plans for nuclear power developments in the upper Rhine region, but co-ordination in the three areas helped stall all but one of the plants. "That movement really helped to develop a regional consciousness," Mr Urs Weber, editor of a new regional newspaper, says.

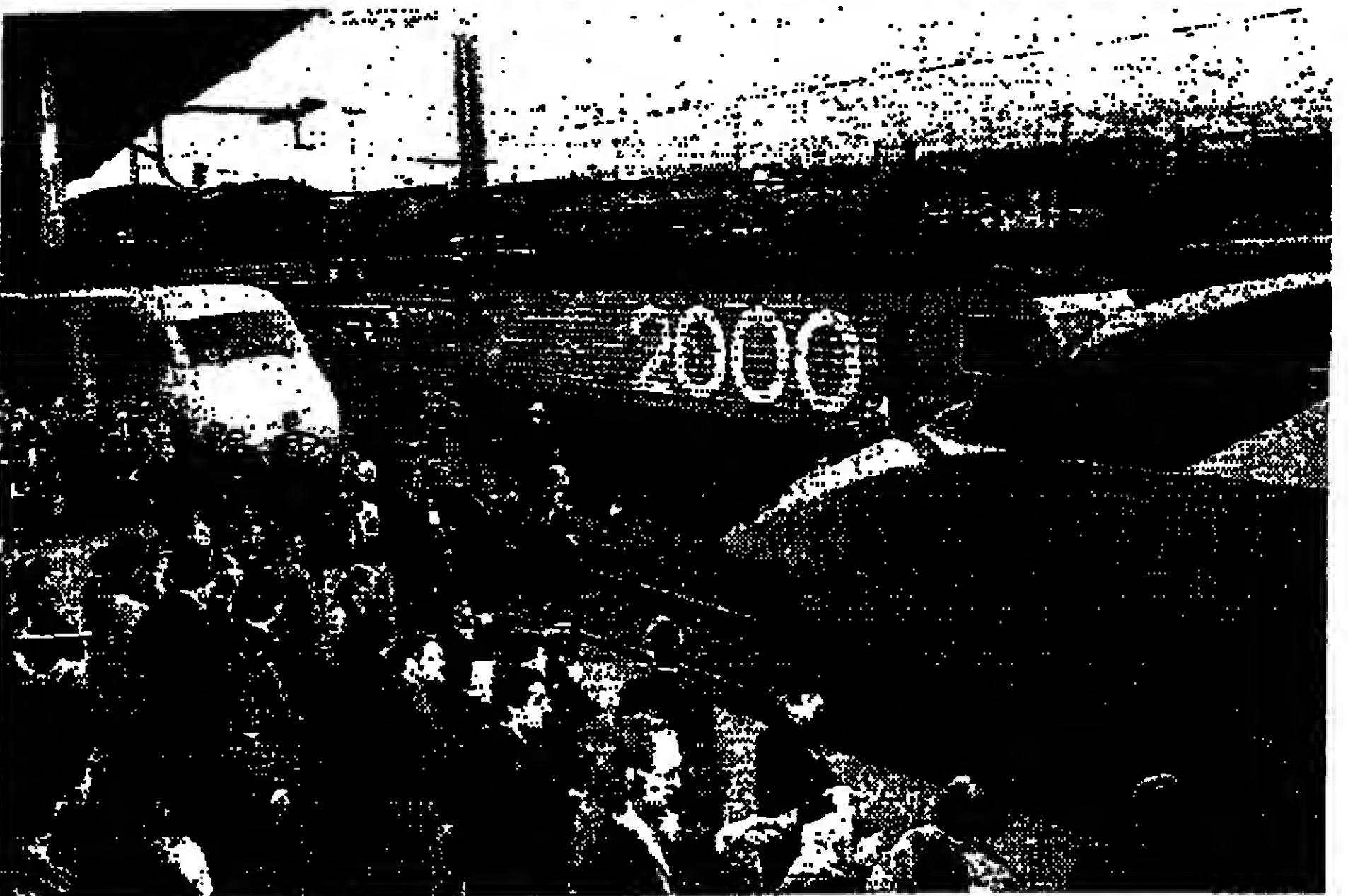
Mr Briner himself does not claim any great accomplishments for the Regio organisation, other than that of convincing the three heads of government to come to Basle. "I am a kind of missionary," he says. "We cannot do anything. We needed 20 years just to get to the point where our decision-makers would entertain new ideas on neighbourhood-making. Remember, this is a region where people kill each other."

Mr Briner believes that the region is now sufficiently established that it will survive, regardless of whether or not Switzerland joins the European Community.

"This region is probably prepared to resist every eventualities. Take the worst case, that we do not enter the EEA or the EC. We will then be in a very difficult situation. Business would move out. There would be a lot of human problems, especially on the Swiss side of the borders. But the rest of the region would be in a much better position."

The best scenario is that we enter the EC as soon as possible and start discussing the shape of the new European confederation. We want a Europe of the regions. Europe should be organised like Switzerland."

Ian Rodger



Visiting in style: Mitterrand, Kohl and Delamuraz with their high-speed trains in Basle

3

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BASLE AND THE UPPER RHINE 2

Ian Rodger examines Basle's role as a transport centre

Busy crossroads

EVER since the first wooden bridge across the Rhine at Basle was built in 1235, the city has been a busy crossroads at the centre of Europe.

Today, it is still a key centre for transport, with important water, road, rail and air links to all parts of Europe and beyond. No less than 40 per cent of Switzerland's trade passes through the city.

There is also an increasing amount of trans-shipment through Basle between northern and southern European countries, including the breakdown of 40-tonne lorry loads to the 28-tonne limit specified by the Swiss authorities for shipments through the Alpine passes.

Several large transport groups have their headquarters in Basle, including the freight forwarders Danzas and Panalpina, and the shipping group Schweizerische Reederei & Neptun (SRN).

With the prospect of Swiss membership in the European Community, the importance of the transport infrastructure in the city and surrounding area seems almost certain to grow.

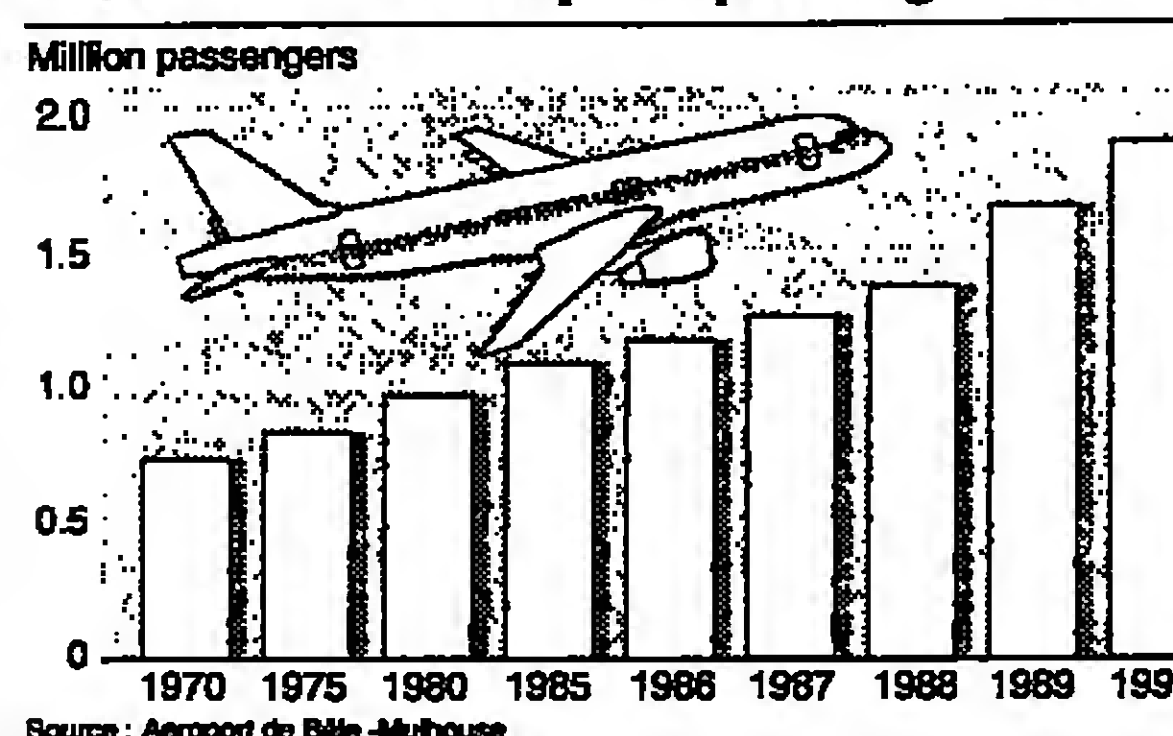
The relative importance of different modes of transport has changed considerably since 1925, and continues to change. Next year will see the opening of the Rhine-Main-Danube canal, which will undoubtedly have an impact on water trans-

port in the heart of Europe. France, Germany and Switzerland are all building high-speed rail systems that could reach Basle, and there are plans for a new rail pass through the Alps to accommodate anticipated increases in freight volume.

The local authorities in the region are developing a regional rail system for commuters and the local airport - a unique Franco-Swiss entity - also has ambitious plans for the future.

The airport, which formally serves both Basle and Mulhouse in France, is the result of a 1949 treaty between France and Switzerland providing for an entity that would be located on the French side of the border but financed largely by the Swiss. The airport facilities, except for the runways and aircraft docking equipment, are split in two, such that passengers and freight going to or coming from the two countries use their own customs and immigration facilities. The airport is not a national border between the two countries.

Basle - Mulhouse airport: passenger traffic



Source: Aéroport de Bâle-Mulhouse

Swiss traffic approaches the airport, which is only 4km from the centre of Basle, by way of a fenced-in road, thus avoiding a French border crossing on the way.

Management of the airport is shared, with French employees paid at French rates and under French laws, and Swiss workers under Swiss terms and conditions.

The airport developed slowly at first, affected by the draw-

ing power of Zurich's airport which is only an hour away by road or rail.

In recent years, however, activity has grown more rapidly, following the heightened pace of development in the whole upper Rhine region. It now serves 2m passengers a year and handles nearly 60,000 tonnes of freight.

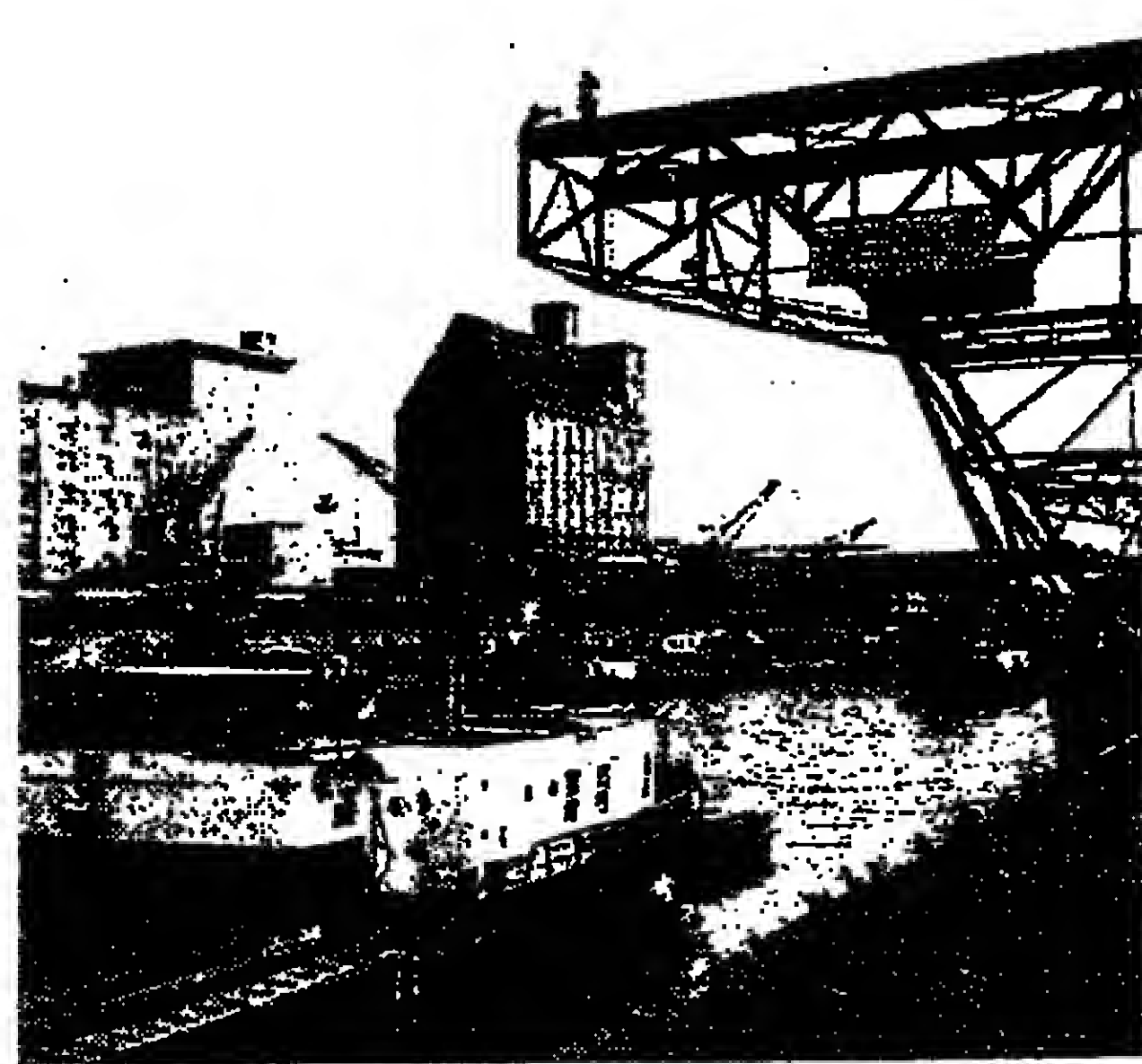
The next challenge for the airport authorities is to respond to a request from Ger-

many to make the facility tri-national. The airport authority is sympathetic in principle to this request, not least because it does not want to see a competing airport built in southern Baden-Württemberg.

Since 1987, Germans have participated in the airport consultative committee. The airport has begun calling itself "Euroairport" and claims in its publicity to serve Freiburg as well as Basle and Mulhouse. The city of Freiburg now sponsors a regular bus service to the airport.

The next steps are more complicated. Freiburg wants flights from other parts of Germany to the Euroairport to be considered domestic flights and therefore to benefit from domestic tariffs. And it wants to become a full member in the airport management.

Airport managers, who already have to tiptoe about carefully to respect the immigration rules of two countries, dread the thought of having to deal with a third. This, of course, will be simpler once border controls within the EC



The Rhine harbour in Basle: growing importance

are abolished. They also dread opening the 1945 treaty for amendment, fearing that it would open the way for France, in particular, to negotiate tougher terms for the use of its territory.

The airport authorities are more interested in planning for expansion. They have managed to reserve additional land for a second runway, although it is not likely to be needed for a decade or more. And they are

trying, so far without success, to interest the French and Swiss railways in establishing a rail station at the airport.

The railways, understandably, are more interested in developing their own glamorous high-speed trains. Basle is already well served, having stations within its limits of the French, German and Swiss railway systems. Both the Swiss and German railways plan to extend their high-speed

systems to Basle, and there are hopes that the French system too will terminate at the city.

Perhaps the most interesting development on the shipping front will be the opening of the Rhine-Main-Danube canal next September. Mr Christian Aeschlimann, president of SRN, says it is still unclear what impact it will have on Rhine traffic. "We worry a bit about eastern European fleets coming into the Rhine with their low costs. Our safety standards on the Rhine are much higher than those on the Danube. We are not trying to keep them out, but rather to maintain our standards," he says.

Given the long distances on the Danube and the relatively low density of industrial activity on it compared to the Rhine, he doubts that the opening of the canal will provide a big opportunity for Rhine ship operators in the near future.

Mr Aeschlimann is more concerned about unfair competition from Europe's railways and roads. He claims that they charge little more to ship goods by rail from Rotterdam to Milan than from Basle to Milan, thus making the combined ship-rail option uncompetitive. He argues that it would be far better for Europe to use more fully the water transport routes that it has than to continue expanding road and rail networks.

BANKING AND FINANCE

Overshadowed by Zurich

BASLE'S position as a financial centre is distinguished more these days by the list of members than by its activity, and there seems little possibility of things picking up in the near future.

One of Switzerland's three universal banks, Swiss Bank Corporation, has its headquarters there, but most of its market and international activity is managed in Zurich. No one seriously suggests that Basle, which is only an hour away from Zurich, will win back a place in international banking business in the foreseeable future.

The Bank for International Settlements, which serves the industrialised countries' central banks, is based in Basle but it tries its best to avoid making its presence and activities known.

The Swiss Bankers Association is likewise headquartered in the city, a reflection of the Swiss preoccupation with balance - in this case, preventing the association from being dominated by the powerful Zurich-based banks. And, in any event, most of its lobbying activity is aimed at Bern.

Basle is still a good centre for private banking, with many huge private fortunes made from the city's long history of successful enterprises.

In a recent listing by the Basler Zeitung of the city's richest known residents, 16 were said to have assets of more than

Sfr100m. The richest, Mr Paul Scherer, a musician who married into the Hoffmann-La Roche fortune, has assets of between Sfr30m and Sfr40m, mainly in Roche shares.

The other financial institution that is totally part of the Basle community is the local stock exchange, but its days seem numbered now that the country's stock exchanges are in the middle of a period of radical reform.

In the past few years, the number of stock exchanges in Switzerland has been dwindling rapidly from an absurd seven to three. Basle's, with turnover of about Sfr200bn a year, is by far the smallest of the remaining three; Geneva's turnover is about Sfr200bn while Zurich dominates with Sfr400bn.

The problem facing the Basle exchange is that its 14 members, most of whom are also members of the Zurich and Geneva exchanges, are more concerned with the overall health and future of Swiss securities markets than of any particular exchange. And, in order to be competitive in the world, they see the need to create a single, large, liquid market in the country, with most trading carried out electronically.

"We strongly feel that Switzerland is no longer the centre of the world. It is just one financial centre competing with others, and with some

significant tax disadvantages," says Mr Georg Krayer, chairman of the Basle exchange and a partner in the Basle firm of A. Sarasin & Co.

The latest concrete step toward unity was taken with the introduction, from the first of this year, of a centralised office for handling new listings. Within the next few weeks, industry leaders are to decide on whether or not to install an electronic market specially designed for them by Andersen Consulting.

As with most collective decisions in Switzerland, it would be dangerous to forecast the outcome of the security dealers' deliberations. There is, apparently, a preference among Zurich dealers to postpone the introduction of the electronic system until after the new Zurich stock exchange building is completed next year. Some also wonder whether they would be wiser to buy a relatively inexpensive, off-the-shelf computer system rather than the highest-cost design from Andersen.

On the other hand, resolution of the issue is urgent because business is slipping away from the Swiss exchanges to London and Luxembourg. The attitude of the three big banks, which account for more than half the turnover on the Swiss stock exchanges, will be crucial. But they have not yet indicated what they intend to do.

What is clear is that, one way or another, the Swiss will move to electronic trading within the next two or three years. What that will mean for Basle's financial community is the subject of some debate.

"We are in an old building here, which shows perhaps that we have more of a history than a past," one member says sardonically.

"In the near future, since most of our members are members of Zurich and Geneva too, they may centralise their operations in Zurich. In the

medium term, it is an open question. At least they have the opportunity as members to go anywhere," Mr Krayer says.

Mr Ren Kaubmann, director of the exchange, is more optimistic. "Electronic trading will provide a new lease of life for all of us. With decentralised access to trading, know-how can stay where it is."

Mr Krayer suspects that Basle will have to develop excellence in some niche area, much as Edinburgh has managed to remain an important centre for fund management.

He points out that Basle dealers have specialised in the past in forward trading, and were instrumental in developing the national electronic options and futures exchange, Sofex, three years ago.

Another possibility is that Basle will become a regional

financial centre. Perhaps surprisingly, the city's financial institutions have not won much business from the neighbouring upper Alsace and southern Baden-Württemberg areas. In fact, it would be more accurate to say that it seldom occurred to them to look for business in these areas, which were relatively poor compared to Basle.

Also, for centuries, the citizens of Basle have been accustomed to seeing their neighbours seek refuge in Switzerland from political and financial instability in their own countries, so there was no need to reach out to them.

Today, the movements across the borders are larger than ever but for different reasons. On one hand, the chronic labour shortage in Basle is creating more opportunities

for French and German workers seeking high-paying jobs. On the other, the lack of space in the city is forcing Swiss companies to expand in neighbouring France and Germany.

Swiss Bank Corporation was the first to detect an opportunity in these trends, and set up a unit three years ago to tap the regional market. Mr Paul Lachausse, who heads the unit, says the greatest success so far has been in the personal mortgage field. More than 35,000 French and German residents travel to work in Basle every day and, of course, earn Swiss franc salaries.

Until recently, Swiss interest rates were much lower than those in France, presenting many of these people with an opportunity to finance their homes more cheaply than they would at their local banks. "A mortgage from us also gives them an opportunity to hedge

their currency risk," Mr Lachausse says.

The bank has also sought business with small and medium-size Swiss companies expanding into Alsace and Baden-Württemberg, but so far has not been very successful. "If you think about it, you realise that these people do not need us for their everyday banking, they need a local bank," Mr Lachausse admits. And often SBCI cannot compete against local credit unions offering very low rates. However, his group has found that with its growing expertise in the laws, regulations and customs of provincial France and Germany, it can help companies in all three countries with regional mergers and acquisitions and with their international trade finance.

Ian Rodger

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The Vitra Design Museum at Weil am Rhein on the Swiss-German border near Basle is housed in a building designed by California architect Frank Gehry. The museum has a collection of 1,200 pieces tracing the evolution of industrial furniture design

PROFILE: VITRA

Thoroughly integrated

THE big Basle-based chemical companies have long had operations in all three countries of the so-called Regio Basiliensis.

These days, smaller companies too are becoming increasingly indifferent to the borders which divide the region.

"On an average day, I may cross borders three or four times for meetings," says Mr Rolf Fehlbaum, director of Vitra, a Basle-based office furniture and shopping group.

Vitra was established in Basle in the 1930s by Mr Fehlbaum's father as a shopping business, and diversified into office furniture after the war. Its regional expansion also dates from that period: the group set up a manufacturing plant in Weil with nine employees just across the German-Swiss border from Basle in 1950. Its purpose was to duplicate production facilities in Basle.

"It sounds odd now, but in those days trade barriers were more important, and we did not really think much about rationalisation. We wanted to get into the big German market," Mr Fehlbaum says.

Operations at Weil have expanded dramatically since then and now are the largest in the group, with 880 of a total 1,370 employees. The large site on the southern edge of Weil houses not only factories but also the Vitra Design Museum.

The group has also built a plastics plant at Blotzheim on the French side of the three-way border, and now has a thoroughly integrated movement of raw materials and

intermediate products among its three production sites.

Group headquarters remain in Basle and Mr Fehlbaum shares overall management with his two brothers.

One reason for the expansion into Germany and France was the shortage of labour in Basle. Mr Fehlbaum denies, however, that the group tries to take advantage of labour rate differentials in the three countries.

"We often do these calculations, only to end up doing what we would have done anyway. In Switzerland, wages are higher, but there are fewer holidays than in Germany and workers are more flexible about overtime. Anyway, it is impossible to do a sort of constant arbitrage. Each national company is an operation in its own right and its managers have their own interests to defend."

It is equally difficult to play games with corporate taxes, such as on internal transfer pricing, he says.

"The German tax authority looks very carefully at a company with a Swiss background, more thoroughly than they look at an ordinary German one. But if you do things correctly, that is not a problem. You have to be balanced in what you do."

Mr Fehlbaum says tariffs are no longer important enough to be a factor in the group's operations, so Vitra is not anticipating any change in its affairs as a result of Switzerland's plan to participate in the European Economic Area (EEA) or ultimately the European Community itself.

"I have a Swiss passport, but I do not feel I live on an island. Basle is very exposed to a region which is already very European."

Vitra now has a worldwide reputation for its furniture design, but Mr Fehlbaum has no intention to expand production operations outside the Regio area. It is building a new factory at Neuenburg a few miles south of Weil and has plans for expansion in both Basle and Blotzheim.

Mr Fehlbaum believes the critical factors for a small company in deciding on factory locations are whether or not you understand the mentality of the people and labour supply.

The labour supply has been a problem from time to time, especially in Basle itself but, he says, "the fact that we are on this border gives us much more than if we were anywhere else in Switzerland."

The group is now benefitting from the arrival in Germany of skilled craftsmen from eastern European countries, for example.

Logistically, Mr Fehlbaum finds the Basle area very convenient. Rail and road connections are excellent for shipping goods and the group sources materials from a wide area. From the Basle-Mulhouse airport, group salesmen can catch commuter air services and be in most European cities by 9am.

"We think about expansion elsewhere from time to time, but in the end, we come back to this area. It has to do with management structure. I think a bigger company might think more abstractly about location, but we are not in that category. We run the group in a personal style."

Another attraction, he says, is that the upper Rhine area is not affected much by the problems of our time.

"We are blessed with small problems."

Ian Rodger

BASLE & THE UPPER RHINE

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BASLE AND THE UPPER RHINE 3

It has been exactly five years since a fire at a chemical depot at Schweizerhalle, a few miles up the Rhine from Basle, caused massive pollution in the river.

Whatever the long-term ecological impact of the disaster – and it now appears to be quite modest – its effects on the social environment in the Basle area were immense.

It brought to an abrupt end, in the view of many, an era of naivety on both sides. Basle people had tended to put out of their minds the notion that they lived with a substantial element of risk, having three huge chemical complexes in their midst. The chemical companies, for their part, were inclined to reinforce this complacent view, giving the impression that they knew best how to take care of their businesses and the town.

Those attitudes were rudely shattered on November 1, 1986 as the sounds of sirens and an acrid stench spread over the city. Worse, when firemen pumped water onto the fire in the warehouse owned by Sandoz, up to 30 tonnes of dangerous agricultural chemicals, including 200kg of mercury, were washed into the Rhine.

A great deal of marine life, especially eels, was killed. Although no human life was lost, the fire could have led to widespread deaths through a release of phosgene.

In the weeks after the fire,



Sandoz produces more than 90 per cent of its pharmaceuticals in the Basle area

both the companies and local political leaders would behave in ways that they would later regret. The companies frequently made petulant and self-serving statements in an attempt to play down the significance of the disaster. Angry residents said the companies were murderers and, on one occasion, threw dead fish from the Rhine at Sandoz officials.

"The over-reaction showed that something was wrong in the relationship," a Roche official says.

Today, both sides are calm again, but also more wary of each other. Public opinion polls indicate that the people of Basle think the companies are progressive, successful and provide good jobs. But they do not see the companies as friendly, either to themselves or to the environment, and so

they cannot be trusted.

The companies accept these criticisms and now make great efforts to explain their activities. "Until 1986, the attitude here was that the press was an unnecessary evil and contacts with it were minimal. Schweizerhalle really affected the culture of the company. We speak willingly about it now," a Sandoz official says.

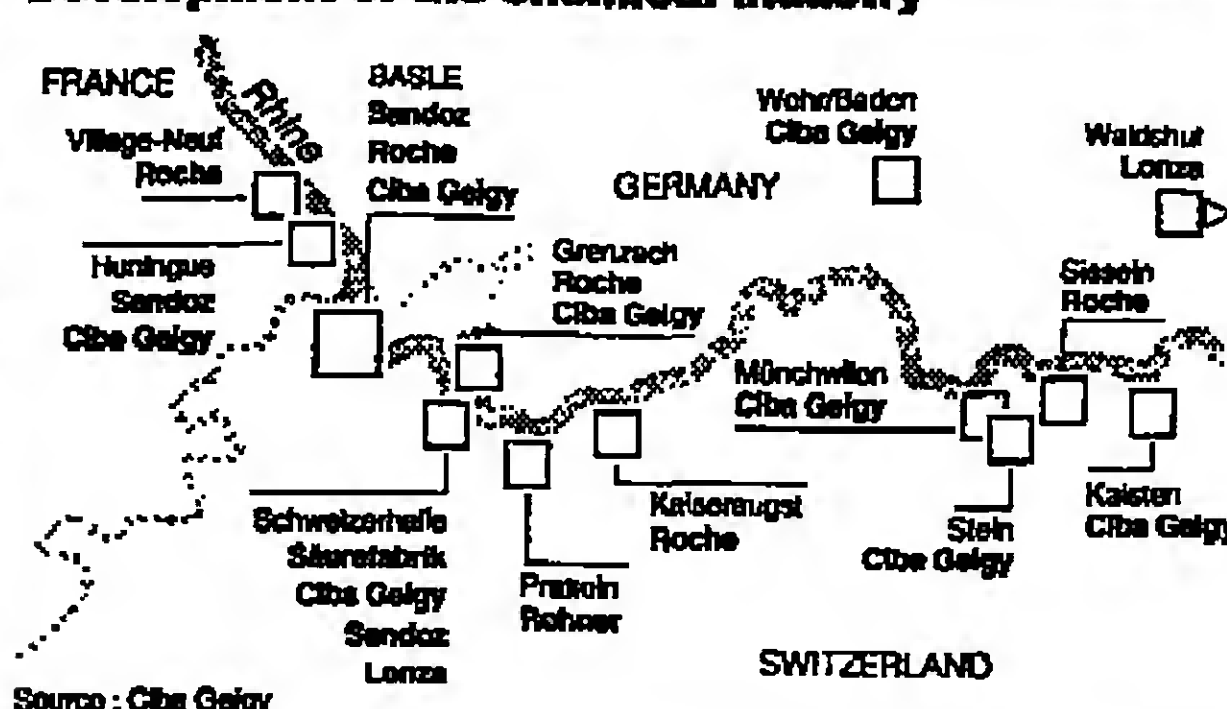
They have also sharply increased their spending on environmental protection systems, notably on huge catch basins to trap water used in

putting out any eventual fires.

"We think we have been able to rebuild confidence to a certain extent – not that we are being loved or kissed – and we hope we can go further," says Heinz Lippuner, chairman of Ciba-Geigy's executive committee. "There will always be risk in our industry. The question is how much is tolerable."

Despite the improved atmosphere, the future of the chemical industry in Basle is by no means secure. All three big companies have become nervous about an excessive con-

Development of the chemical industry



Source: Ciba-Geigy

End of an era

ECONOMIC STRUCTURE

Many differences

It is a measure of the progress of the concept of Regio Basiliensis that a group of economists has recently begun to chart the evolution of the upper Rhine regional economy rather than that of Basle alone.

The generally accepted definition of the region is the area comprising the six Swiss cantons around Basle plus six districts of the upper Alsace in France extending from the Swiss border slightly to the north of Colmar, and five districts in Baden-Württemberg extending a bit north of Freiburg.

This is an area of some 2m people, of whom 500,000 live in the Swiss part, 500,000 in Germany and 500,000 in France. It has an extraordinarily high employment level of approximately 1m and an equally impressive gross regional product of roughly Ecuf6bn (\$Fr70bn).

However, there are considerable differences in the economic structures of the different components of the region, reflecting to a large extent the differing political regimes

under which they have developed. In the Swiss sector for example, only 7,800 are employed in agriculture, whereas in southern Baden the figure is 15,490 and in the upper Alsace 13,400.

On the Swiss side, secondary industry provides 54,000 jobs of which nearly a half are in the chemical sector. Indeed, the chemical industry provides nearly 30 per cent of all value added in the Basle area.

Upper Alsace is the least developed area industrially, and its industrial jobs have been concentrated in low growth traditional industries such as textiles and clothing. There is also a heavy dependence on a Peugeot motor plant at Mulhouse. However, it is also the fastest growing part of the region. Several new industries, including a handful

of Japanese electronic equipment makers, have been attracted in recent years.

In the service sector, the Swiss side stands out again, with a strong representation in banking and insurance, while both the upper Alsace and south Baden areas are strong in wholesaling. All three areas have a relatively low representation in government and professional services, being at the periphery of their countries – and the overall position of services in the regional economy is relatively weak, accounting for 55.5 per cent of value added compared with the European average of 60.5 per cent.

Service sectors, as well as transport, are seen by many as those that offer the most potential for growth as the region takes on its own identity.

"This is natural centre for European transport, with the Rhine access and good rail and air connections," says Mr Christoph Koellreuter, chief economist for the region. In its most recent issue, the business cycle research group (BAK), "What we are looking at is bringing back activity to the region."

Last June, BAK began publishing quarterly economic analyses for the region. In its most recent issue, it forecast that the Regio would have real growth of only 1.9 per cent in 1991 after a strong 3.8 per cent last year. The outlook for next year was for a slight acceleration to 2.5 per cent growth.

BAK acknowledged that the economies of the three parts of the region are still heavily influenced by their national economies. Thus, the Swiss and French parts of it have

been more sluggish than the German part this year, and the reverse situation is expected to occur next year.

The region is also clearly suffering from being at the periphery of the three countries. While the growth rates suggested above are higher than those for western Europe as a whole, they are below average in the three countries concerned.

The most important single factor in the regional economy is the chemical industry, accounting for some 12 per cent of value added. BAK anticipates that growth in value added this year will be about 2.4 per cent compared to 4.8 per cent last year.

Slumping demand for chemicals is being offset by progress in the pharmaceutical sector. Next year, the overall growth rate should be somewhat higher, perhaps 3.4 per cent, as recovery in the building and engineering industries is expected to stimulate demand for pigments and specialty chemicals.

The capital goods sectors have suffered more from the

stagnating European economy, and value added is expected to grow by only 1.8 per cent compared to 5.5 per cent growth last year. Only the continuing strength of demand for capital goods in Germany is preventing a bigger slide. Not surprisingly, German machinery makers have fared best, and are expected to show growth of nearly 3 per cent this year.

On the French side, Peugeot has invested about Fr6bn in tooling up for its new 130 model at Mulhouse, but production of the 205 has been progressively curtailed.

The construction industry is expected to register a slight decline this year, with slumps in north-west Switzerland and Upper Alsace more than offsetting the more buoyant conditions in south Baden. Housing has been particularly hard hit because of high interest rates. In the second quarter, housing orders in Basle City tumbled 25 per cent while in Upper Alsace, the number of building permits issued for housing dropped 22 per cent.

Ian Rodger

PROFILE: 3

Regional newspaper

BASLE has a new newspaper. It is called, simply, "3", indicating the three countries, France, Germany and Switzerland, forming the region it is attempting to serve, the so-called "Dreieckland".

The weekly paper was launched in February by the Basler Zeitung, the main daily in the city. It is published as a 16-page section in the Basler Zeitung on Thursdays and is also sold separately in kiosks in the neighbouring towns in France and Germany.

"When we started the project, we thought that there might be a real regional market. Now we know there is," says Mr Urs Weber, its editor. The paper's main concerns

are the problems of the people who live with the borders in the region on a day-to-day basis.

It has articles on such subjects as counselling Swiss on buying property in France and Germany and on the difficulties encountered by French residents with their social security system if they work in Switzerland.

The local implications of Switzerland joining the European Economic Area (EEA) and ultimately the European Community are now being minutely examined.

Most of the articles are in German, but there are always a couple in French and many of the illustrations have

French language captions. "There are a lot of people in Alsace who still speak and understand the Alsatian dialect of the region, and we are trying to draw them in to read German," Mr Weber says.

So far, sales in neighbouring areas of France and Germany have been slow in developing, but the Basler Zeitung is likely to be patient with the project. "Our ultimate goal is to sell our entire paper in the region. We are looking towards a time when national news will be of less importance, so the people will want to buy a regional paper rather than different national ones."

Ian Rodger

A decision is expected early next year, and then a fresh new organisational structure will have to be created if a new site is to be developed.

What is already decided is that the new centre will be owned by organisations in the three countries. Lévy would

like SIF – now 25 per cent owned by the city of Basle, with the rest of the shares in private Swiss hands – to remain the managing company, retaining its freedom to operate commercially.

Ian Rodger

PROFILE: Swiss Industries Fair

Serious problems

THE Swiss Industries Fair (SIF) is one of Basle's success stories, being one of the few such organisations to be entirely commercially run and self-supporting.

SIF is probably best known for its annual European Watch, Clock and Jewellery Fair which this year attracted more than 2,000 exhibitors from 25 countries. But it also attracts dozens of other trade and professional exhibitions and con-

gresses, enabling it to rank among the top 10 exhibition centres in Europe.

However, today it has two serious problems that must be resolved in the near future if it is to continue to prosper. The first is the need to find more space. The second is more difficult: finding ways to counter the disadvantages arising from Switzerland not being in the European Community. "We are only one mile from the future

border of the European Community – but unfortunately we are on the wrong side," says Mr Philippe Lévy, the SIF's director-general.

From the beginning of 1993, when there will be free circulation of people and goods in the EC, there will still be a border between the EC and Switzerland, putting the SIF at a significant disadvantage to its competitors in other European centres. Meanwhile, the organisation anticipates that it will be short of space by the mid-1990s, and it has no potential for expansion on its current site in the middle of the city.

The solution now being considered for both these problems

is a reflection of the heightened interest in regional development in the upper Rhine area. The idea is to build a new exhibition centre either on the German or French side of Basle's border, and to bring French and German local and regional authorities into the ownership of the organisation.

Since 1990, committees formed of officials from all three sides of the upper Rhine borders has been considering new sites.

Mr Lévy says the choice has been narrowed to two sites adjacent to the Euroairport, which would be entirely on French soil, and another on a former freight yard right on the German-Swiss border that is no longer used by German Railways. Ironically, the 50 per cent of the land that is in Basle is owned by Deutsche Bundesbahn and the 40 per cent that is in Germany is owned almost entirely by the city of Basle.

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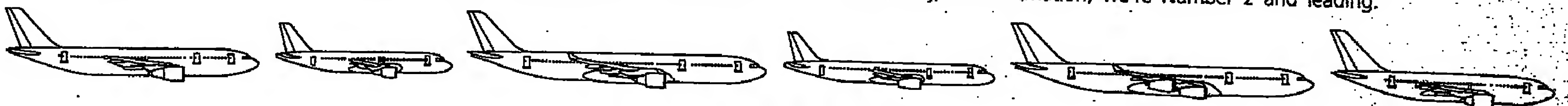
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ARTS

CINEMA

Manly pursuits

THE TWO JAKES

Jack Nicholson

POINT BREAK

Kathryn Bigelow

K2

Frank Roddam

HANGIN' WITH THE

HOMEBOYS

Joseph B. Vasequez

SWITCH

Blake Edwards

AMA

Kwate Nee-Owuo and Kwesi Owusu

From the moment he donned his football helmet and spoke of a lost America in *Easy Rider* right up to his show-stopping performance in *Batman*, Jack Nicholson has time after time proved himself uniquely adept at rescuing films. With *The Two Jakes*, he does it again, giving his most subtly mature performance to date. The difference here is that the director he is battling out is himself.

The Two Jakes is a sequel to Roman Polanski's masterful *Chinatown*, with Nicholson reprising his role as the cynical yet sensitive private eye Jake Gittes, and Robert Towne once again providing the script. The action takes place a decade after *Chinatown*'s tragic finale, in which Gittes's true love was killed after the truth about her incestuous relationship with her father was revealed. Gittes, fleshier, richer, yet still working as a private investigator, finds himself once again drawn into a vortex of secrets and betrayal, this time involving land which just might belong to his dead love's illegitimate daughter. Haunted by memories, Gittes soon finds himself breaking every rule of the private eye's rulebook as he tries to rescue the girl.

It is a fundamentally strange story, though it lacks the ingenious nuances and twists of Towne's earlier effort. There are good performances throughout, most notably Harvey Keitel as the other Jake, a rich land developer who kills his wife's lover, and Richard Farnsworth as a con-man who seduces Gittes. But it is Nicholson who is especially superb, giving a performance of witful restraint that stands in sharp contrast to the sly, self-satisfied work

that seemed in danger of hijacking his middle age.

Where the film proves lacking is in its plodding pace, brought on partly by Nicholson's too careful direction, but also by Towne's inability to find a dynamic to fuel his elaborate plot. The way the theme of illicit love kept you glued to your seat during *Chinatown*. It is all too static and stately, bordering at times even on tedious. You can feel the absence of Roman Polanski's deft hand, especially in the more emotionally pitched scenes. Nicholson the director seems to have forgotten what Nicholson the actor knows in every bone in his body - that above all it's a motion picture he's making.

There's nothing tedious about *Point Break*, the story of a boyish FBI agent (Keanu Reeves) who goes undercover at the California beach in order to investigate a gang of surfing bank robbers led by a mysterious character named Bodhi (Patrick Swayze). It is all action from the opening credits, with Reeves and Swayze playing cat and mouse through a series of manly pursuits that include night time surfing and freefall parachuting. There are also plenty of fistfights, shootouts and car chases as well, all accompanied by a ringing rock soundtrack that should appeal to anyone who believes that the boyish Reeves would actually qualify as a field agent for the FBI.

The film ventures onto less certain ground when it attempts to explore the dangerous ties that bind Reeves and Swayze, positing that not really making credible a kind of male bonding that thrives off risk and death. And Bodhi's Zen warrior ethos sounds like a load of West Coast nonsense when he says things like "If you want the ultimate rush, you have to be willing to pay the ultimate price." Although this is a film that claims to be about adrenaline, it really has a lot more to do with testosterone.

There is also plenty of machismo about in *K2*, the story of two friends who try to climb the world's toughest mountain, Everest (Matt Caven) and Taylor (Michael Biehn) are Seattle yuppies who drive nice cars, attract lovely women and have great jobs. But it is just not enough, so they recreate by climbing perilous cliffs. When the chance to conquer the world's summit is at hand, they refuse, it is an offer neither can refuse, even though Harold's long-suffering wife threatens to leave him if he goes. Their ascent turns out to be any-



Sequel to Chinatown: Tom Waits, Jack Nicholson and David Keith in Nicholson's 'The Two Jakes'

thing but easy, fraught with conflicts within the six-person climbing party, trouble with the Pakistani porters, unpredictable weather and, most tellingly, the mountain itself, which kills climbers with alarming regularity. Eventually, just Taylor and Harold are left to try for the summit, discovering something about themselves and their friendship on the way.

As an action picture, *K2* holds up pretty well, providing some dizzying moments as the climbers swing across rock faces or negotiate icy walls. It is when director Frank Roddam and writer Patrick Meyers try to deepen the characters and say something about male bonding that the story plummets. For no matter how much the filmmakers try to provide rationales for this dangerous endeavour, our heroes remain nothing more than a couple of self-obsessed, reckless boys out for a big thrill.

At one point Harold, a physicist, claims he climbs mountains because nobody's discovered a Unified Field Theory. And when, at their most perilous moment, Taylor starts making a speech about how he wants to live with nobility, you cannot but hope that his ponderous words will start an avalanche that will kick start this film back into the action flick it should be.

One film that does have much of value to say about male friendship is *Hangin' with the Homeboys*, a delight-

ful small budget gem from writer/director Joseph B. Vasequez. The film depicts one night in the life of four South Bronx buddies, two Puerto Rican, two black, as they drive around the neighbourhood looking for fun. Nothing much happens - there are no drugs, no gang related violence, no big statements about ghetto deprivation. Rather, Vasequez and his supremely talented cast of newcomers (led by the hilarious Doug E. Doug) focus on the subtle pressures at work on young men trying to come of age in a often faceless town. It is a funny, honest and often very touching account of the give-and-take of male relationships which puts to shame the multimillion dollar explorations of the same subject mentioned above.

Male bonding of a different sort is the issue in Blake Edwards' *Switch*, which tells the story of Steve Brooks, an obnoxiously chauvinist advertising executive who is reincarnated as a woman after being murdered by a woman, played by the great Yvonne Rainer. And when, at their most perilous moment, Taylor starts making a speech about how he wants to live with nobility, you cannot but hope that his ponderous words will start an avalanche that will kick start this film back into the action flick it should be.

It is an idea pregnant with possibility for mischief and insight, and for the first part of the movie it appears

Edwards might be about to deliver. Barkin has a good stab at playing a man-in-a-woman's body, with her loose-limbed gait, husky voice and leering expression. And Edwards sets up some tantalising scenarios, such as when Barkin tries to seduce a lesbian. But before long the whole thing degenerates into lame farce, with plenty of groin kicks, haymaking punches and a ridiculously overwrought set-piece in which Barkin falls off high heels.

AMA is an often engaging debut by the Ghanaian filmmaker Kwate Nee-Owuo and Kwesi Owusu that tells the story of a spiritually gifted twelve-year-old (wonderfully played by Georgina Ackerman) torn between her traditional Ghanaian roots and her present life in North London. When she slots an ancestral medallion into a computer at the place her mother works as a cleaner, dark prophecies about her boxer brother and asthmatic father appear on the screen, putting Ama into the familiar predicament of the wise youngster who must try to warn the ignorant adults of impending doom. There is much to admire here, although in the end it is a shame Nee-Owuo and Owusu did not stick closer to the storyline instead of letting the film degenerate into a loose portrait of London immigrant life.

Stephen Amidon

St Petersburg Philharmonic

BARBICAN HALL

The orchestra has been re-titled: formed as the court orchestra in 1882, re-established on a state basis after the Revolution, the Leningrad Philharmonic last month followed the historically momentous name-change of its home city. As two Barbican concerts this week showed, it has not changed in other important ways: this is still one of the world's great orchestral institutions, with a sweep to its performing style and a distinctness of corporate tone-quality that provide some definition of its peculiar greatness.

Among the world's front-rank ensembles this orchestra has always sounded like no other. It continues to do so - the new freedoms have not, thank goodness, brought signs of creeping "internationalisation" - homogenisation, attempts at the smoothing-out of departmental traits or quirks (the brass still blare out at climaxes with a vibrant intensity of delivery no western section would dare copy). If one had been brought blindfold into the Barbican during Monday's Rakhmaninov Second Piano Concerto or Tuesday's (not quite complete) second act of the Tchaikovsky *Hamlet*, the characterising qualities - combination of athletic fervour, passion and breadth in the phrasing, total absence of anything half-hearted, mechanical or routine in the articulation - would surely have planted unmistakable clues as to the orchestra's identity.

In one crucial respect, however, the Leningrad Philharmonic tradition appears to be facing an important challenge. For 50 years, the chief conductor was the great Yevgeny Mravinsky, nonpareil orchestral moulder, champion of Shostakovich (many of whose symphonies were composed with this conductor and orchestra in mind), musician of a stature that could be affirmed even by those who knew his work only from records. Since 1988 the occu-

pant of the post has been Yuri Temirkanov, already well-known in this country through, among other things, his concerts with the Royal Philharmonic. Temirkanov is a much lesser figure, and there, it seems, lies the problem.

He is undoubtedly a conductor of singular, not to say curious abilities - an eccentric, non-baton-holding shaper of performances whose podium demeanour, sometimes frankly (and, to my taste, gratefully) show-off in style, nevertheless achieves sumptuous results. In the Rakhmaninov concerto, one found oneself attending less to Eliso Virsaladze's soberly honest, musically uninflected account of the solo part than to the lush, rubato-leased accompaniment; in the Tchaikovsky ballet, despite tempos (and tempo-manipulations) that would have rendered the music entirely undanceable in any theatre, the delights of colour and melody were certainly made manifest.

But in two Shostakovich symphonies - the strangely ambiguous but gripping Sixth on Monday, the magnificently fierce Tenth on Tuesday - the lack of a firm centre to Temirkanov's musical personality seemed to be suggested with worrying completeness. Both works open with long slow movements, bare in scoring, in which their painful secrets are gradually told. Temirkanov seemed unable to unfold them steadily, ruggedly, without nudges and spurts of applied affect.

In the subsequent frenzied outbursts the sheer rightness of orchestral sound counted for a great deal, yet the snowballing force of argument was constantly diminished, diluted, even contradicted. In the matter of its Shostakovich inheritance, at least, the St Petersburg Philharmonic has - on this evidence - some awkward questions to resolve.

Max Loppert

The Philanderer

HAMPSHIRE THEATRE

During the research for his musical play, *The Philanderer*, by the first time of George Bernard Shaw, Michael Holroyd stuck in his thumb and pulled out a small, tart, plum. *The Philanderer*, one of Shaw's early "plays unpleasant", had a forgotten final act, never before performed, which expounded his views on the socially touchy subject of divorce. It was dropped on the advice of his friend Lady Cohn Campbell, ostensibly because it was too scandalous.

Tacked back on to the performed and published version, a century on, the alternative ending substitutes an exclamation mark for a question mark. The philanderer, Charles, who Shaw mischievously confessed to being a partial self-portrait, is a man with a large heart who takes advantage of "modern" ideas of equality to flirt with whom he pleases. At the Ipswich club, where all are "chaps" and the "womanly woman" is persona non grata, he finds himself overwhelmed by feminine attentions.

The only escape is to marry off the dotting Julia (Eleanor David) while ensuring that the more contained Grace (Caroline Langrish) has the good sense to turn him down. This Charles does, with a farcical ingenuity that involves a debauched doctor, a sentimental theatre critic and a baffled colonel - three social archetypes, played with Shavian mock-seriousness, whose entrenchment denies modernity its will and its way.

The complete play, finely performed for the first time at the Hampshire Theatre, is less "Shavian" than its incomplete version, privileging thoughts over feelings in a wholly Shavian way. Instead of leaving his characters at the brink of a future that is as unsatisfactory as one cares to imagine it, Shaw sets them all down four years later in one those rather tedious round-table talks for which he had such a penchant, and forces them to confront the consequences of their actions. Julia, a beautiful bosom-heaver from Eleanor David, and the Jonathan Cope well-judged doctor, Paramount are happily married, but in order for them to be set free the pillars of the establishment must crumble. Duty and hypocritical sentiment - personified in the older generation - must be abandoned, and none sees it clearer than Charles, who is played with an oddly cold-blooded languor by the startlingly blue-eyed Clive Owen.

which makes it clear why the women should go for him but not why he would fall for them.

Alas but, cries the young devil, in a perverse final about-turn, "the only people who can afford to behave exceptionally in this world are the genuinely exceptional people." This final qualification does more than anything to date a play which nevertheless has some startlingly modern thoughts to offer on issues such as sexism, class, scientific integrity, and



Clive Owen and Eleanor David

even - heaven help us - "the new woman".

Claire Armitstead

London Contemporary Dance

SADLER'S WELLS

London Contemporary Dance Theatre is making its traditional autumn visit to the Wells, with a new American artistic director, Nancy Duncan, and an opening programme of second-hand American dances. On Tuesday night these benefited from exceptional lively and hard-driven performances by the company artists - who are, as ever, a superlative ensemble - but the effect of the evening was of gifted dancers killing themselves for lost causes. Each piece seemed alien, and hardly worth the trouble and the torrents of energy expended.

Nina Wiener's *Wind Devils* deals with the choreographer's childhood amid the dust storms and miniature whirlwinds of the Arizona desert. What we see is inoffensive choreography that calls upon the dancers to spin and turn in on themselves and their partners: it is sand-dry as invention, and smacks more of the classroom than the stage. There are portentous moments - childhood memory makes for solemn dance - and at the end I did not feel that anything had happened, though both Andrew Robinson and David Hughes were powerful in solos, and Lesa Phillips sacrificed her patellas in a sequence that must have been brutally hard on her knees. Costuming seemed concerned to make the dancers appear snailly or foolish - Mr Robinson had what looked like a nappy over his trousers - and the score was electronic wall-paper.

About jazz dance, which is what Dan Wagener's *Flee as a Bird* can claim to be, I have many reservations. The free fantasies of the music need no less liberated movement, and Wagener's response to certain sacred texts - *Let's do it*, *Miss Otis*, *Myself*, *James Brown* - has a sober-sided air. Nothing seems much like fun (some dirge-like tempi were no help), and though it is worth going a long way to watch the intense musical and rhythmic alertness of Kenneth Tharp - his dancing wears the melodic phrase like a favourite jacket - the ungainly casters that he supposes to be amusing soon outstay their welcome.

Freedom of Information is by the late Arnie Zane. It comes laden with flakulent programme notes, and offers dance as an activity both relentless and unrelenting. There is a three-score (David Cunningham) which splinters a descending scale rather as Zane's choreography jiggles and rattles between the cast, who leap, run, shake (Kenneth Tharp very funny as a disorientated Karate Kid), and burn up energy as if there were plenty more where that came from. Sharon Wray and Paul Liburd also immolate themselves in this less than good cause. Like last season's dreadful *Rhoad*, it is dance that minimises and consumes its interpreters; and this is not the function of real choreography.

Clement Crisp

John Surman

QUEEN ELIZABETH HALL

Saxophonist John Surman is the most European of jazz musicians. An unreconstructed West Country bumpkin, he is better appreciated in Europe than at home and he records for the German ECM label. His latest recording, the subject of this tour, is called *The Road To St. Ives*. It could as easily be called *The Road To Maastricht*.

The style of improvisation shown in his work owes little to American influences - he claims to prefer the Cornish coast in a Force 6 to New York's busy days as a clubboy or tortuous recitals heard in Bodmin Town Hall as his main points of reference. More recently, it seems to me, he has been listening to old Kretzschmar records in the ECM studio and insistent sounds into his folk repertoire.

On *The Road To St. Ives* he is showcasing his talents and sheer firepower as a solo improviser, accompanied by himself on keyboards, electronic "tape" loop and sundry effects. This equipment was laid out on a long table placed diagonally across a moodily-lit stage: an assortment of gizmos with knobs and dials side by side with baritone sax, his first instrument, a soprano, a bass clarinet and a penny whistle.

Two hours of improvisation using this equipment is clearly trying for Surman but is not too demanding for the audience. The music is abstract but Surman's technique is smooth and seamless. The baritone saxophone is a gentle giant of an instrument and as an improviser Surman has it tamed. With "Triple S Blues", for example, a treatise on pairs of odd socks, he gently squeaked and whinnied until a loping rock and roll piece appeared out of the fog of abstraction in the background. The soprano, picked up as often as the baritone, was sweet toned, if wayward at times. The bass clarinet, a rarity in a jazz setting, let alone with an electro soundstage, gave the music a low, dark, discovering magic mushrooms.

Surman can play in a more conventional way and did in a tribute to fellow baritone man Ronnie Ross, he gave a lilting and unaccompanied *Round Midnight*. But mostly *The Road To St. Ives*, with its clean, twinkling accompaniment, is going in the direction of those with New Age leanings. If you have yet to leave the Old Age, you still have to admire his old-fashioned eccentricity, skill and sheer stamina.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BERLIN
Philharmonie Kammermusiksal 20.00 Simon Rattle conducts Haydn Symphony No 70, Stravinsky's *Apollon Musagete* and Messiaen's *Oiseaux exotiques*, with Paul Crossley piano soloist, also tomorrow, Sat and Sun (West Berlin 2514 333)
Schauspielhaus 20.00 Gustav Kuhn conducts the Berlin Symphony Orchestra in Mozart's last three symphonies, repeated tomorrow and Sat. Sun: Garrick Ohlsson piano recital (East Berlin 2272 251)
Deutsche Oper 19.30 Guido Ajmone-Marsan conducts Rigoletto, with a cast led by Ingvar Wixell and Luba Organosova. Tomorrow: *Così fan tutte*, with Don Pasquale tomorrow, Tannhäuser on Saturday and Donizetti's *Anna Bolena* on Sunday and next Tuesday. The Erkel Theatre has Hungarian-language performances

BUDAPEST

OPERA

Tonight's performance at the State Opera is *Così fan tutte*, with Don Pasquale tomorrow, Tannhäuser on Saturday and Donizetti's *Anna Bolena* on Sunday and next Tuesday. The Erkel Theatre has Hungarian-language performances

of La Gioconda tonight and Sunday, a gala concert tomorrow and *L'elisir d'amore* at 11.00 on Saturday. Pre-booking at the Central Theatre Booking Office (Andrassy út 18) and at theatre box offices.

BUDAPEST
The Budapest Ragtime Band performs tomorrow at the Obuda Social Circle at 19.00 (Kiskorona u 7), and the Benko Dixieland Band can be heard at 19.30 on Saturday and Sunday at the Pest Concert Hall (Vigade tér 1). On Monday, Ken-cho Kobayashi conducts the Hungarian State Symphony Orchestra in works by Franck and Schumann at the Academy of Music. Pre-booking at the National Philharmonic Booking Office (Vörösmarty tér 1). The Meritt Jazz Club Restaurant (In the courtyard of the City Council, Gerlőczy u 4) has jam sessions with Hungarian and foreign jazz musicians every evening between 22.00 and midnight, and from 12.00 to 18.00 on Saturdays and Sundays (117 9338)

CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts the Chicago Symphony Orchestra in the world premiere of Ralph Shapey's *Concerto Fantastico*, plus Liszt's Second Piano Concerto with Alfred Brendel. Repeated tomorrow at 13.30 and Sat. Sun at 15.00: piano recital by Cristina Ortiz (435 6666)

GENEVA

Victoria Hall Tomorrow's concert by the Royal Philharmonic Orchestra is conducted by Yehudi Menuhin, with a programme

including Brahms' Second Symphony and Beethoven's First Piano Concerto, with Jeremy Menuhin (213213). Sun: Jean-Jacques Kantorow conducts the Auvergne Chamber Orchestra in symphonies by Haydn and Heneguer, plus Haydn's D major Cello Concerto played by Antonio Meneses (282511)

GOTHENBURG

Konserthus 19.30 Goran Wilson conducts the Gothenburg Symphony Orchestra in Copland's Third Symphony and Mozart's Oboe Concerto, with Marten Larsson, repeated tomorrow at 18.00 (187000)

LONDON

THEATRE

● The Cabinet Minister: Maureen Lipman and Derek Nimmo lead the cast in Arthur Wing Pinero's farce, directed by Graham Murray. The play is set in the homes of political wit and cabinet minister Sir Julian Twombly, and acts as a comic assault on Victorian manners and the English upper class. Opens tonight (Albany, 071-867 1115)
● The Madness of George III: Alan Bennett's new play centres on the deranged mentality of the English monarch, played by Nigel Hawthorne, and a government and their waiting for his fall. Nicholas Hytner directs this National Theatre production. Starts previewing tonight. Press night next Thursday (Lyttelton, 071-928 2252)
● The Bright and Bold Design: new play, directed by Bill Alexander for the Royal

Shakespeare Company at the Barbican. Katy Beahan, Bill McGuirk and Paul Webster head the cast in this tale of conflict between fame, wealth and ideals. Now previewing, Press night next Tues (The Pit, 071-638 8891)
● Death and the Maiden: Ariel Dorfman's South American tale of the consequences of torture. Juliet Stevenson, Bill Patterson and Michael Byrne star in this emotional three-hander. Runs till Nov 30 (Royal Court, 071-730 1745)
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MUSIC AND DANCE

Covent Garden 19.30 Royal Ballet in choreographies by William Tuckett, Balanchine and Jonathan Burrows. Tomorrow: Simon Boccanegra. Sat: David Bintley's *Cyranos* (071-240 1086)
Barbican 20.00 Prokofiev Festival: Mstislav Rostropovich conducts the LSO in the Russian Overture and Sixth Symphony, with Itzhak Perlman soloist in the Second Violin Concerto. Sun: Borodin String Quartet plays the First and Second Quartets (071-638 8891)
Royal Festival Hall 19.30 James Blair conducts the Young Musicians Symphony Orchestra in Bruckner's Eighth Symphony and Mozart's Piano Concerto No 21, with Arnaldo Cohen. Tomorrow: Julia Milganes in concert. Sat: Frank Martin's Requiem (071-928 8800)
Coliseum 19.30 Jonathan Miller's production of *The Mikado* Tomorrow: Graham Vick's production of *La nozze di Figaro*. (071-838 3161)

NEW YORK

Avery Fisher Hall 20.00 Charles Dutoit conducts the New York Philharmonic Orchestra in Mozart's *Don Giovanni*. Sat: *Baroque*. Miraculous Mandarin, Ravel's Daphnis et Chloé Suite No 2 and Tchaikovsky's Violin Concerto, with Midori. Repeated on Sat and next Tues. Sun in Avery Fisher Hall: Alicia de Larrocha gives a piano recital. Sun in Alice Tully Hall: Roy Goodman and the Hanover Band (875 5030). Sat in Carnegie Hall: Mariss Jansons conducts the Oslo Philharmonic (247 7800)
New York State Theatre 20.00 City Ballet premieres Peter Martins' new ballet set to music by Bach, plus Balanchine's *Raymonda* Variations and Tarentella. Repertory performances continue daily except Mon till Dec 1 (870 5570)
Metropolitan Opera 20.00 Leopold Hager conducts *Così fan tutte*, with a cast including Carol Vaness, Dolores Ziegler, Frank Lopardo and Siegmund Cowan. Tomorrow: La traviata. Sat afternoon: Aida. Sat evening: L'elisir d'amore with Alfredo Kraus and Kathleen Battle (362 8000)

PARIS

Théâtre des Champs-Élysées 20.30 Karel Naxos conducts the Orchestre National de France in Busoni's *Berceuse* elegiac, Varèse's *Intégrales*, Arcana, and the final scene from Strauss' *Salome*, with Mechthild Gessendorff. Sat and Sun: Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra (4720 3637)
Palais Garnier 19.30 Opera Ballet

in three Jerome Robbins choreographies. Daily till Dec 1, except Mon (4017 3535)
Châtelet 20.30 Broadway production of *West Side Story*, daily except Mon till Jan 26. Afternoon and evening performances on Sat and Sun (4028 2840)

ROME

Teatro Olimpico 21.00 Claudio Scimone conducts i Solisti Veneti in an all-Mozart programme, with James Galway (3224 890)

VIENNA

Staatsoper 19.30 Berislav Klobucar conducts Der fliegende Holländer. Tomorrow: La traviata with Edita Gruberova as Violetta. Sat: La forza del destino. Sun: Ulf Schirmer conducts a revival of Katya Kabanova, with a cast led by Nancy Gustafson and Leonie Rysanek (51444 2960)
Musikverein 19.30 Song recital by Francisco Araiza. Tomorrow: Oleg Maisenberg plays piano music by Schubert, Sat and Sun: Isaac Karabitschewsky conducts music by von Einem, Mozart and Dvorak. Sat in Brahms-Saal: Schubert Lieder programme with Hermann Prey and others (505 8190)
Konzerthaus 19.30 Wien Modern: Peter Burwick conducts the BGO Singers in music by Schnittke and Birtwistle. Tomorrow: Colin Davis conducts the Dresden Staatskapelle. Sat: Murray Perahia plays Mozart, plus a Birtwistle and Messiaen choral concert with the Arnold Schoenberg Choir. Sun: Claudio Abbado conducts the closing concert of this year's Wien Modern (7124 8860)

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CNN 0710-0740 Moneyweek
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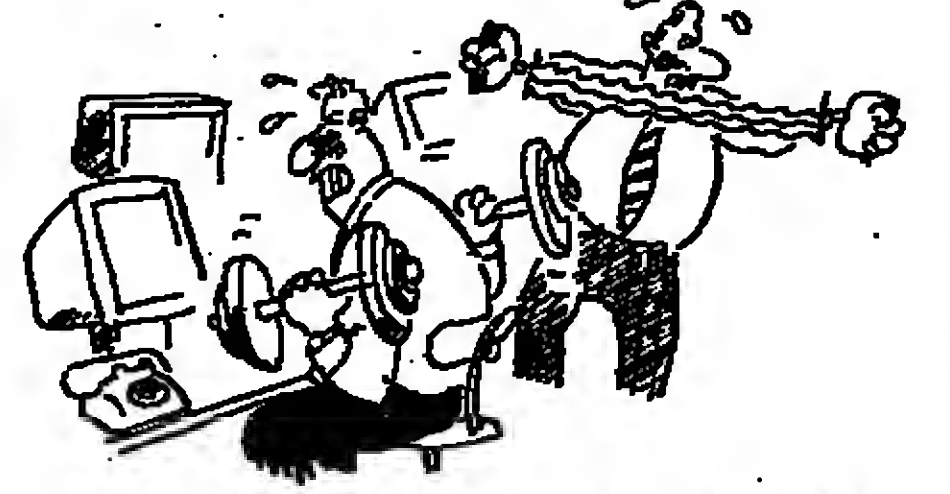
IBM to move power away from the centre

IBM, the US computer group, plans to decentralise control of its vast empire by giving individual business groups much greater autonomy. It is expected to announce a worldwide restructuring in the next few weeks. Page 27

Banks in Maxwell meeting

National Westminster, lead banker to the Maxwell family's empire of private companies, was yesterday locked in crisis meetings with other banks to initiate a formalised restructuring of £500m (£1.4bn) of loans to these private companies. As a first step, it was trying to provide terms acceptable to Swiss Bank Corporation, whose £25m loan to Adviser (188), a Maxwell vehicle, is in default. Page 32

Comex gets physical



The New York Commodity Exchange plans to begin trading physical copper next year, to complement its current business in copper futures. Mr David Halperin, president, said the intention was not to grab business from the London Metal Exchange, the world's leading physical copper market. Page 34

Brussels calm before election

There is a general election in Belgium on Sunday. To outsiders it looks as though the Brussels bourse is bearing the political upheaval with remarkable equanimity. Back Page

Mixed fortunes for carmakers

Renault, the French state-owned carmaker, said its recent three-week strike cost it up to FF2bn (\$365m), but it still expected to make a small profit for the year. Volvo, the Swedish auto group, reported a profit of SKr1.27bn (\$219m) for the first nine months of the year against a comparable SKr193m loss. Saab-Scania, the Swedish vehicle and aerospace group, suffered a fall in profits to SKr892m (\$154m) from SKr1.571bn for the first nine months of the year. Page 28

Ratners festive rally

Ratners, the jewellery group, is attempting to polish up its image in the vital run-up to Christmas. But the festive efforts of chairman Gerald Ratner (left) come at a time of tough trading conditions on both sides of the Atlantic and continued uncertainty among shareholders. Page 33

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Chief price changes yesterday

NEW YORK (\$)		Cap Gemini S		245		- 8.4	
Alcoa	82 1/4	1 1/4	UFB Local	300	-	22	
Alcoa-Alcoa	51 3/4	1 1/2	Valuacore	2701	-	11.9	
CSX	10 1/4	1 1/4	TOKYO (Yen)				
Canada Tech	144 1/4	5 1/4					
Merck							
Pfizer							
Unilever	33 1/4	5 1/4	Achilles	663	+ 60		
Hersey Foods	38	2 1/4	Pfizer	1040	+ 100		
PARADES (FFr)			Medi Milc Prods	1220	+ 100		
PARADES (FFr)			Wesper Sugar	850	+ 49		
SNP (Crt Inv)	333	+ 18.9	Tony Sando	1490	+ 120		
Parade	2238	+ 107	Pfizer				
Alparant Price	200	- 86	Nagasaki	1650	- 140		

NEW YORK (Pence)

Alcoa	485	+ 7	Faith				
British Gas	251	+ 8 1/2	Ad Electronics	92	- 4		
Dash	140	+ 8	Brit Airways	210	- 512		
Deftam House	21	+ 4	Cable & Wire	513	- 22		
Northern Foods	526	+ 19	French Connect	30	- 3		
Pson	118	+ 18	Harvard Benson	303	- 10		
Real	246	+ 3	Lap Group	14	- 3		
Real World	88	+ 2	Maxwell Comm	36	- 10		
Shant Group	89	+ 6	Simon Eng	247	- 11		
Type Teac TV	279	+ 9	Willis Corroon	240 1/2	- 13 1/2		
Whitbread A	441	+ 9					

Bank shares retreat in Oslo after DnB and Christiania criticised by regulatory authorities Norwegian banking crisis deepens

By Karen Fosell in Oslo

THE CRISIS in the Norwegian banking industry deepened significantly yesterday when the country's leading banks ran into criticism from regulatory authorities over their recent conduct, and the share prices of all banks listed on the Oslo bourse fell as investor confidence sagged.

Den norske Bank, the country's biggest bank, suffered the steepest fall. Its shares fell by more than 50 per cent to Nkr4.50 before closing at Nkr5.65. Its shares have fallen by 94.9 per cent since November 20 last year, when they were Nkr112.

Bourse officials imposed a record Nkr3.2m (\$487,000) fine on Christiania Bank, the second biggest bank, for breaching stock exchange reporting laws.

Christiania had reported losses on loans and guarantees in the first three months of 1991 of Nkr610m, but after nine months the bank's credit losses had risen to Nkr7.33bn.

In a report on the breach the bourse said "there can be no doubt" that the management of Christiania knew, or should have known, when drawing up the report for the first quarter of 1991

that losses were higher than reported.

"It is furthermore not unreasonable to assume that a relationship exists between the losses recorded and the desire to show a primary capital ratio over 4 per cent," the bourse concluded.

If Christiania had presented actual loss estimates for the period, the bourse said, it would have meant that the bank would not have qualified for an injection of preference capital from an emergency bank fund.

The bourse said investors who purchased Christiania shares

after April 29 were not given important information.

"It could almost be believed that the bank's administrative management has tried deliberately to deceive their shareholders and the stock market," the bourse said.

It also sharply criticised Den norske Bank for misleading investors by saying that it would meet 1991 capital adequacy requirements one week before being forced to admit that huge losses would not allow it to do so.

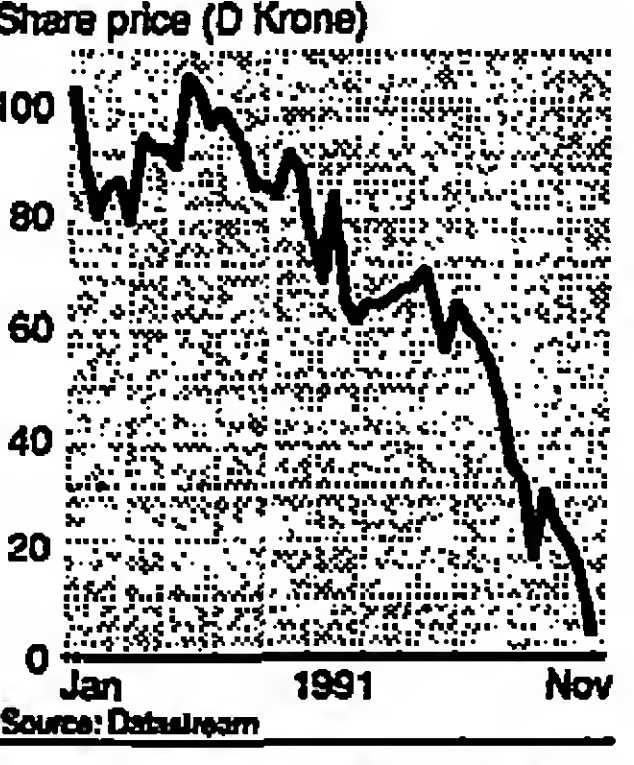
On October 14, DnB said "the

bank is not aware of any circumstances indicating that it will not meet the capital adequacy requirement of 5.5 per cent by December 31, even without the infusion of external capital".

But on October 23, DnB said because of massive third-quarter loan loss provisions the bank "will need an injection of capital from external sources to satisfy the capital adequacy requirement".

Separately, Fokus Bank, the third biggest bank, was forced by the bourse to increase nine-month losses to Nkr1.31bn from

Den norske Bank



Share price (D Krone)
Source: Datastream

Nkr1bn because of a Nkr300m decline in the value of property holdings.

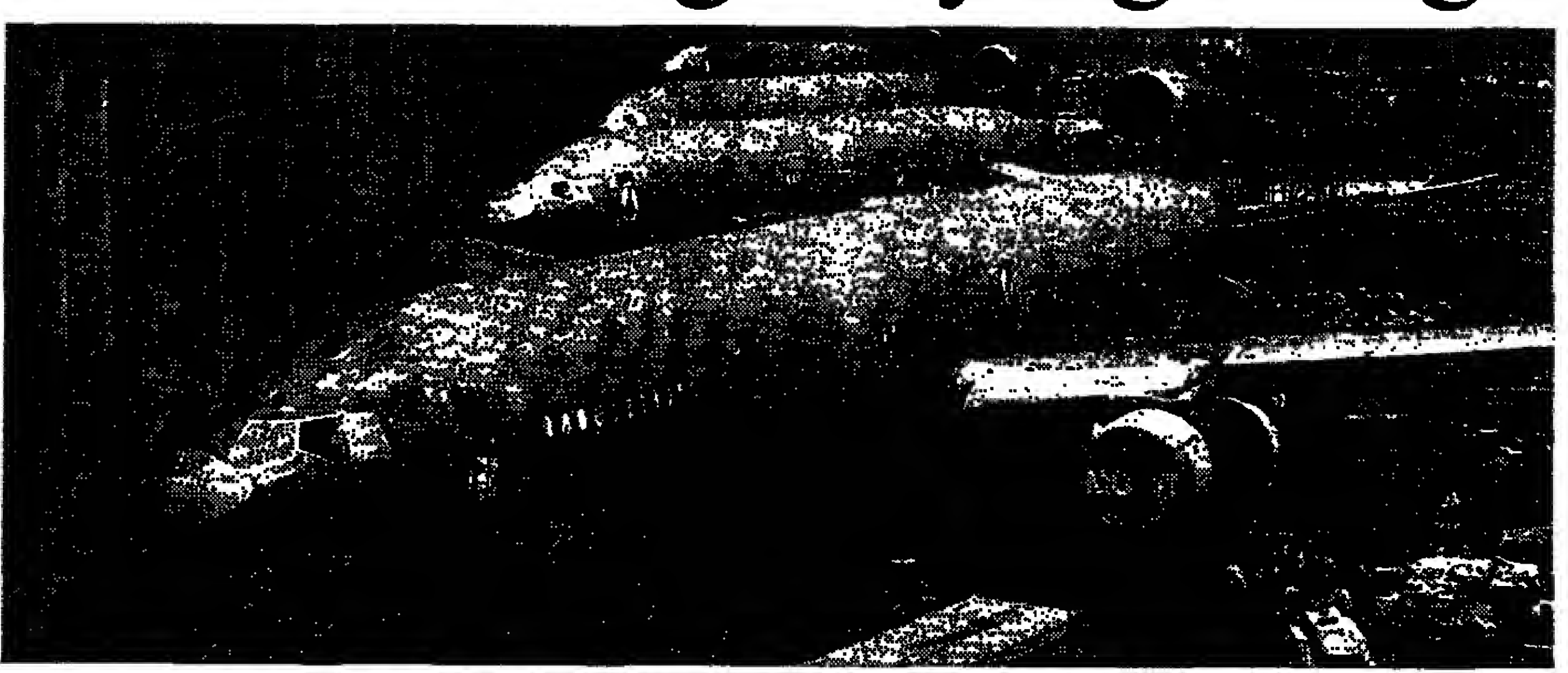
On Tuesday Fokus warned it "might" have to write down the value of its property by the end of the year.

Peter Wickenden on Taiwan Aerospace's \$2bn link with McDonnell Douglas

Taiwan Aerospace, a seven-week-old joint venture between the Taiwan government and local industry capitalised at \$200m, yesterday announced its intention to invest \$2bn in a new aircraft manufacturing joint venture with McDonnell Douglas, the financially stretched US aerospace group.

McDonnell Douglas's existing commercial aircraft operations are to be hived off from its government programmes early next year and will form the core of the new company.

Aircraft joint venture gives Taiwan a high-flying image



McDonnell Douglas's American aircraft assembly lines may soon be supplied by parts made in Taiwan

Under a memorandum of understanding, Taiwan Aerospace investors could acquire a 40 per cent stake in the company for their \$2bn, with McDonnell Douglas retaining the majority stake and management control.

The deal, if completed on schedule by the end of January, would give McDonnell Douglas around half of the funds it needs to develop its new MD-12 long-range wide-bodied aircraft.

The US company still hopes to attract other Asian partners to the venture, either as minority equity investors in the business or as risk-sharing sub-contractors. It has held discussions in South Korea, Indonesia and Singapore.

McDonnell Douglas estimates that manufacture and sub-assembly of wing and fuselage parts in Taiwan for final assembly at a new plant somewhere in the US would cut its production costs by 30 per cent, even allowing for Taiwan's rapidly rising wage levels.

Although the venture would land Taiwan Aerospace with a monumental debt before it has turned out even a rivet, it could give Taiwan's fledgling aerospace industry export business worth \$10m a year in the mid 1990s, when the MD-12 is due to fly.

The McDonnell Douglas deal would thus be a big step toward realising the Taiwanese government's dream of establishing a range of high-technology and high added-value industries on an island better known for plastic flip-flop sandals and low-end computers.

The government is a leading shareholder in Taiwan Aerospace and will directly or indirectly be co-owning up the \$2bn.

Dr David Huang, Taiwan Aerospace's chairman, said yesterday

that foreign banks would not be invited to finance the deal unless local ones were unable to do so.

Sony shares have recently been battered on the Tokyo Stock Exchange, as a result of poor business conditions and the separate offer of new shares for Sony Music Entertainment (Japan), which caused some institutions to sell.

Sony's parent company shares in the Tokyo market were down 25.7 per cent to Y95.3bn, while short-term debt rose 34 per cent to Y1,050.7bn. The profits decline was even steeper at the operating level, which plunged 35.6 per cent to Y106.05bn.

Sony blamed weak consumer spending in Europe and the US and cited "unprecedented" confusion in capital markets in Japan as well as stagnant housing investment and uncertain personal spending. The company

sector shareholders, which account for 71 per cent of its equity, are Taiwan's largest industrial conglomerates Evergreen Marine, which owns the world's largest container shipping fleet; Yueleong Motor, which has built Nissan cars in Taiwan for 30 years; Tatung, a machinery and consumer electronics maker; Pacific Electric Wire and Cable, the industrial group; the textile-based Hualon Group; and Formosa Plastics, Taiwan's largest private enterprise. China Steel, which is being privatised, is to join the consortium next year, bringing the company up to its targeted \$250m capitalisation.

Securities analysts say that most of these companies are highly profitable, with low debt-to-equity ratios, and have limited experience in aerospace.

Mr Ko said the investment attraction with McDonnell Douglas was a matter of timing. "If it were 10

years earlier I don't think we could get McDonnell Douglas to listen to us. If it were a decade later, maybe Taiwan Aerospace would be strong enough not to need to work with others. We are an infant and they are in need of financial assistance and low-cost production."

In the next three months, both governments must approve the deal. Taiwan Aerospace must find the cash, and the due-diligence process be completed. Mr Ko said Taiwan Aerospace has not yet "seen the merchandise" that will emerge from McDonnell Douglas's restructuring.

However, a confident Mr Rob-

ert Hood, president of the Douglas Aircraft Company, McDonnell Douglas's California-based division, described the deal in Taipei as a "win-win situation" that would give his company financial strength.

But Mr Ko, who has been with Taiwan Aerospace for about six weeks, admitted that Taiwan Aerospace has not yet decided what business areas it will concentrate on. Proposals from potential foreign partners have included everything from airframes and avionics to jet engines and satellites.

Detailed talks have been held with Pratt and Whitney, the US

aero-engine manufacturer, but he said this "might be a premature idea until we figure out how to acquire certain capabilities".

Industry analysts think this and future deals might encounter snags on the technology transfer front. Taiwan Aerospace, according to Mr Ko, wants technology and does not aim merely to turn out parts and sub-assemblies on an original equipment manufacturer basis like thousands of other so-called high-technology Taiwanese companies.

His talks with foreign companies have revealed a common reluctance to part with technology. "In the first instance they always say yes, but when we get into specifics there is a degree of concern on both sides."

McDonnell Douglas has lobbied hard in the US Congress to silence criticism that it is giving technology away, said Mr Hood. "We are really not exporting jobs or technology. [The deal] will give us long-term job stability and without it we would not move forward with the MD-12."

Taiwan's military force, which has developed two jet aircraft, engines, missiles, rockets, radar systems and other equipment, has so far been unwilling to share its technology with the private sector, which in turn has balked at putting more money into Taiwan Aerospace.

Taiwan Aerospace's physical assets so far consist of a second-hand factory building in Taipei and a small office in Taiwan. It has ordered "10m of machinery that will provide the capability for making very large structures like fuselages for airliners and for some sub-assembly", says Mr Ko. He plans to start production by the end of next year, but says that he lacks a satisfactory level of orders so far.

Mr Hood, meanwhile, said the deal would lead to "a significant change in the way we manufacture commercial aircraft throughout the world".

Sony falls 25.7% to Y95.3bn

By Steven Butler in Tokyo

SONY, the Japanese consumer electronics and entertainment group, suffered a steep drop in pre-tax profits in the six months to the end of September as a result of the strength of the yen and lack-lustre sales of audio-visual equipment in Japan.

Before taxes, consolidated profits fell 25.7 per cent to Y95.3bn (\$735m). Sales moved ahead 3.8 per cent to Y1,812.5bn while short-term debt rose 34 per cent to Y1,050.7bn. The profits decline was even steeper at the operating level, which plunged 35.6 per cent to Y106.05bn.

Sony blamed weak consumer spending in Europe and the US and cited "unprecedented" confusion in capital markets in Japan as well as stagnant housing investment and uncertain personal spending. The company

warned that business conditions would grow more severe in the second half of the year.

Sony shares have recently been battered on the Tokyo Stock Exchange, as a result of poor business conditions and the separate offer of new shares for Sony Music Entertainment (Japan), which caused some institutions to sell.

Sony's parent company shares in the Tokyo market were down 25.7 per cent to Y95.3bn, while short-term debt rose 34 per cent to Y1,050.7bn. The profits decline was even steeper at the operating level, which plunged 35.6 per cent to Y106.05bn.

In Europe, sales of audio equipment and colour TVs rose and 8mm video camcorders showed a sharp increase. In total, video equipment sales rose 1.7 per cent to Y454.5bn; audio equipment advanced 7.2 per cent to Y453bn; and televisions rose 10 per cent to Y281bn. Music entertainment fell

12.1 per cent to Y201.5bn, while film revenues slumped 7.1 per cent to Y123.7bn, reflecting poor sales at Columbia Pictures.

Sony said short-term debt rose mainly because of increased employment of operating funds in the US music and film businesses. Accounts payable rose Y90bn to Y761.8bn. On the asset side, Sony saw a rise in inventories from Y717.5bn to Y669.8bn, while receivables rose Y63.4bn to Y781.7bn.

Income from consolidated and affiliated companies fell Y6.9bn to Y45bn. After a sharp reduction in the tax charge, net income dropped Y13.3 per cent to Y45.04bn. An interim cash dividend was declared unchanged at Y25.

Japanese interim results, Page 27

Northern Foods raises £227m

By Guy de Jonquieres, Consumer Industries Editor, in London

NORTHERN FOODS, the UK foods group, yesterday announced a £227m (\$401m) one-for-four rights issue to help fund the planned acquisition of parts of Grand Metropolitan's Express Dairy business, after reporting a 16 per cent increase in first-half profits to £55.2m.

The rights issue is priced at 415p per share.

Though the value of the Grand Met deal was at the upper end of City of London expectations, the planned cash call was well received and Northern's shares closed up 29p at 526p in London.

Northern has agreed to pay £326m in cash for the Express Dairy liquid milk business and Eden Vale, a producer of chilled

dairy products which includes Thayers ice cream and Coldstream, a distribution operation.

Northern will also assume debt and tax liabilities of £33m. The balance of the acquisition cost would be funded by bank borrowings. After the deal and rights issue, the company's net borrowings would be £175m and net assets £303m.

The acquisition would more than double the size of Northern's dairy business. The company said the deal and the rights issue were conditional on assurances from the Office of Fair Trading that the government did not intend to refer the deal to the Monopolies and Mergers Commission.

Northern's pre-tax profits for the six months to September 30 compare with £47.4m a year earlier and were earned on turnover of £555.6m, up from £557.6m.

Earnings per share grew to 18.31p from 15.58p.

A dividend of 6.86p, up from 6p, was declared.

Mr Chris Haskins, chairman, described the results as excellent. Profits in all divisions had improved despite a difficult economic background, and acquisitions made in the previous financial year had performed well. Group operating margin rose to 8.8 per cent from 8.5 per cent.

Lex, Page 24
London SE, Page 35

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INTERNATIONAL COMPANIES AND FINANCE

ABB earnings improve 2% despite fall in sales

By William Dullforce in Geneva

ASEA BROWN Boveri, Europe's biggest electrical engineering group, has reported a 2 per cent increase to \$761m in pre-tax earnings for the first nine months.

But orders received in the first three quarters were down by 2 per cent to \$20.8bn, and company headquarters in Zurich said the group was starting to feel the full impact of declining demand for investment goods in the construction industry and of postponements in orders for power plants.

Some large restructuring moves would be made in 1992-93 in response to the change to a single market

within the European Community and the integration of newly acquired plants in eastern Europe.

Mr Heinz Haussmann, head of corporate information, said that, while it was not optimistic about the economic outlook, ABB was satisfied with the way profits had held up. The group would continue to adjust capacity to demand.

Consolidated sales for the nine months at \$20.3bn were 8 per cent ahead of the corresponding period of 1990. At the end of September the order backlog was \$25.7bn.

Operating earnings after depreciation were up by 8 per

cent to \$1.29bn. Profit increases were reported by the power plants, power transmission and industry sectors.

Spending on research and development had increased "considerably," particularly in power plants and industry. Earnings after financial items were therefore only 1 per cent ahead at \$754m.

Better performances after restructuring in markets such as North America had compensated for lower earnings in recession-struck markets. Earnings after financial items for the full year were expected to reach roughly the \$1.13bn posted last year.

Nestlé forecasts sales rise of 7%

By Ian Rodger in Zurich

NESTLÉ, the world's leading foods group, expects a 7 per cent rise in sales to about Sfr50bn (\$35.21bn) this year, and hopes net earnings will rise at a similar rate from last year's Sfr2.27bn.

Mr Helmut Maucher, chairman, described the group's performance this year as "generally satisfactory" and in line with expectations.

He revealed that group sales in the first 10 months of the year were ahead 7.4 per cent at Sfr41bn, of which 2 per cent came from exchange rate movements and 1.1 per cent from acquisitions.

Mr Reto Domeniconi, finance director, said the group's 4.3 per cent sales volume growth this year was particularly gratifying considering the weak economic conditions in many of its markets.

Demand was buoyant in Germany, particularly in the eastern part of the country, which now accounts for one tenth of Nestlé's German sales.

Demand for instant coffee and delicatessen in Italy and for chocolate, frozen foods and pet foods in Spain was also strong. An 8 per cent growth in sales in North America was flattered by foreign exchange gains, while the 7 per cent rise in Latin America masked much larger volume increases.

Mr Domeniconi said the group's sales "progressed spectacularly" in Brazil, but price freezes there made it impossible to compensate for the decline in the cruzero. In Mexico as well, volume growth was over 10 per cent.

Far eastern markets, led by Japan, also yielded double digit growth in sales, but sales in the middle east slumped because of the interruption of shipments to Iraq until August.

Mr Domeniconi said the group's net debt stood at a "relatively light" Sfr5.6bn at the end of October, roughly equivalent to a third of shareholders' funds, exclusive of goodwill. Liquid balances stood at Sfr4bn. Capital spending might reach Sfr2.6bn this year, compared with Sfr2.54bn last year.

Three of Europe's leading car manufacturers encounter difficult trading conditions in main markets

Renault sees profit in spite of strike costs near FFr2bn

By William Dawkins in Paris

RENAULT, the French state-owned car maker, yesterday revealed that its recent three-week strike had cost it up to FFr2bn (\$365m), much more than previously estimated, but that it still expected to make a small profit for the year.

The estimate includes lost sales, operating losses and the pay offer made to bring the strike to an end, said the company. The final cost is likely to diminish by the end of the year, depending on how quickly the group catches up on the production held up by the dispute, it said. However, it fears that it will not be able to recover most of the lost sales before the end of the year.

Renault yesterday announced that it had made a FFr2.9bn pre-tax profit in the nine months to September, which indicates a recovery when compared with pre-tax earnings of FFr1.71bn for the whole of 1990, but an 83 per cent fall from 1989.

However, this does not include any costs of the strike, which began in mid-October. It does include a FFr79m loss for Renault's share of losses at Volvo, its Swedish partner. There are no comparable



Riot police forced gates open to break a 19-day blockade

quarterly figures for 1990 since this is the first year that Renault has published three-monthly results, a consequence of the Volvo alliance.

Turnover in the first nine months was FFr12.2bn, an estimated 0.7 per cent increase on the comparable period. Car sales were FFr9bn, or 81 per cent of the total, and truck sales were FFr1.4bn, or 15.9 per cent.

Renault made a FFr1.9bn pre-tax profit in the third quarter alone, when volume sales of cars and light commercial vehicles increased strongly to 381,000 units from 339,000 units in the same period of last year.

Finance charges fell in the nine months to FFr982m, representing 0.8 per cent of turnover, against 1.1 per cent in the comparable period. This is due to the FFr10bn reduction in Renault debts allowed by a capital increase at the start of the year, provided by the French government and Volvo.

Demand drop hits Saab-Scania

By Robert Taylor

SAAB-SCANIA, the Swedish vehicle and aerospace group, suffered a fall in profits (after financial items) to SKr892m (\$152m) from SKr1.57bn for the first nine months of the year. In the third quarter it made a profit of SKr441m, down from SKr391m in the July-September 1990 period.

There was a 5 per cent drop in consolidated sales for the first nine months to SKr20.56bn from SKr21.54bn for the same period last year. Orders increased 1 per cent to SKr18.4bn. Pre-tax return on capital employed amounted to 9.6 per cent, down from 12.1 per cent.

The company said profits were down in the Scania truck and bus division as demand dropped in its most important markets except Germany. Total sales in Scania were 2

per cent down on last year's nine-month results to SKr16.69bn from SKr17.08bn. Sales of trucks and buses were little changed in western Europe but there was an improvement in South America and in both the Middle and Far East.

At Saab, profits fell during the period, mainly due to the recession and excess capacity of truck manufacturers, which have pushed prices down in western Europe, the company said.

But the aircraft division recorded an improvement in profits, although sales were down by 7 per cent in the first nine months to SKr3.07bn from SKr3.29bn. The order backlog in aircraft amounted to SKr11bn at the end of September - down from SKr13.6bn at the same time last year. Mr

Lars Kylberg, president and chief executive, said the order backlog ensured a full workload in its aircraft division for next year.

Sales in the company's Combitech defence technology division rose to SKr1.61bn from SKr1.23bn, and profits improved. Orders increased to SKr1.45bn from SKr1.04bn due to the larger number of deliveries of missiles, helicopter sighting systems and levelling systems.

Mr Kylberg said he hoped the Swedish government would decide by next spring whether to go ahead with defence contracts under the JAS39 Gripen combat aircraft project. Under this project, Saab-Scania hopes to regularly produce Series 2 aircraft and support systems, and to develop a two-seater version, the 39B.

Volvo goes ahead after sale of Saga shares

By Robert Taylor in Stockholm

VOLVO, the Swedish motor group, reported a profit (after financial items) of SKr1.27bn (\$217m) for the first nine months of the year, despite mounting operating losses, compared with a SKr193m loss in the same period of 1990.

The profit was due to the SKr1.4bn sale of its shares in Saga petroleum in July and SKr897m was contributed by Procordia, its associate company, and the alliance with Renault.

However, the company suffered a SKr1.25bn operating loss in the first nine months of the year, with SKr697m coming in the third quarter. Volvo made an operating profit of SKr1.193bn in the first nine months of 1990, and SKr182m in the third quarter.

In its third quarter, profit was only SKr119m, compared with SKr285m for the second quarter, although this was an improvement on the SKr2.241bn loss in the third quarter of last year when Volvo included the cost of its restructuring.

Group sales were down to SKr55.55bn from SKr62.43bn for the nine months. There was an improvement on the return of capital employed to 5.3 per cent from 4.8 per cent but income per share fell to SKr5.90 from SKr12.80.

Volvo said operating losses in its car division were SKr1.5bn in the period due to low sales volumes, reduced margins and the costs incurred with running in model changes. It added that there were "no real signs of recovery yet discernible," particularly in the vital US, UK and Nordic markets.

But Mr Christer Zetterberg, Volvo's president and chief executive officer, was in an optimistic mood yesterday. He disclosed there had been substantial improvements in productivity in its Swedish plants with falling absenteeism and labour turnover so it was now up to the levels of its Belgian operations at Ghent. The Volvo 850 model is to be built in Sweden, he added.

Incentive tumbles 57% to SKr138m

By John Burton in Stockholm

INCENTIVE, the Swedish industrial concern, yesterday reported that profits after financial items fell by 57 per cent to SKr138m (\$15.6m) for the first nine months of 1991, while sales remained unchanged at SKr10.5bn.

It forecast that earnings for the year would be half of its 1990 result of SKr454m. Profits amounted to SKr777m, a

decline of 26 per cent, if income from Incentive's large shareholdings in Asea, Electrolux and Esab are included.

Incentive, which was separated from Asea and introduced on the bourse in July, is an important link in the Walenberg industrial empire due to the stakes it holds in several of the companies controlled by the family.

Most of Incentive's operations, except for its hydro-electric power division, have suffered from falling earnings this year.

Incentive recently announced that it was divesting some of its subsidiaries to concentrate on its core industrial activities, which includes tracked vehicles and the camera company Hasselblad.

Williams bid for Racal may go ahead

By Richard Gourlay in London

WILLIAMS Holdings, the UK industrial conglomerate, yesterday received conditional clearance from the Department of Trade and Industry for its \$663m (\$1.19bn) hostile bid for Racal Electronics.

Mr Peter Lilley, the trade secretary, said the bid would be referred to the Monopolies and Mergers Commission unless certain undertakings to sell Racal Chubb's locks and safes businesses were signed by Williams.

The company welcomed Mr Lilley's statement. Advisers said Williams had already told the DTI that it would sell all Chubb's UK locks and safes businesses, leaving Williams with no more of the market than it controlled now through its subsidiary Yale and Valor. The Chubb sale - including

Union Parkes which Williams had proposed in its September 20 offer that it would retain - represented less than 25 per cent of Racal Chubb's \$650m turnover and approximately 10 per cent of Racal's total turnover in 1990.

The DTI invited interested third parties to make their views known about the undertakings to the Office of Fair Trading before November 29.

The Takeover Panel said yesterday it would be considering representations from Racal and Williams to decide when the bid timetable should resume. The DTI investigation froze the process on day 37, two days before Racal would have had to produce its final defence document, including a profits forecast. Williams yesterday said the

timetable should resume without delay but Racal had argued to the Panel that the bid clock should only resume once Williams had signed its undertakings to the DTI.

Racal said Williams' statement welcoming the ruling was misleading. Advisers quoted a draft of the undertaking Williams would have to sign which they said suggests Racal would have to sell the Chubb safes and locks businesses "worldwide" within six months. This would represent sales of £194m, or about 30 per cent of Racal Security's sales in 1990.

Racal said that breaking up Chubb would not be in the interests of shareholders. It would devalue the Chubb brand name and be detrimental to the business.

NEW ISSUE

This announcement appears as a matter of record only.

NOVEMBER 1991

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SFr. 70,000,000

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IMI

A Commitment to Quality, Reliability and Innovation

Long Term Credit
Investment Banking
Life AssuranceCorporate Finance
Asset Management
Commercial Banking

Consolidated Highlights at March 31, 1991

	US \$m
Outstanding Loans	33,799
Assets under Management	13,143
Shareholders' Equity	4,233
Allowances	766
Net Income	159

* US \$1 = Lire 1,267

The contents of this statement, for which the directors of IMI are solely responsible, have been approved for the purpose of Section 57 of the Financial Services Act 1986 by Price Waterhouse S.A.s. as an authorised person.

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INTERNATIONAL COMPANIES AND FINANCE

JAPANESE INTERIM RESULTS

Loan-loss provisions hold Orix almost flat

By Emiko Terazono in Tokyo

ORIX, the leasing company, announced that consolidated pre-tax profits for the six months to September fell slightly due to a sharp increase in loan-loss provisions. The fall came despite a modest rise in sales.

Orix said pre-tax profits fell 0.5 per cent, to ¥21.6bn (\$166.15m), on a 6.1 per cent rise in overall revenue. After-tax profits rose 0.9 per cent to ¥10.7bn.

Interest received on loans and investment securities rose 8.9 per cent to ¥106.6bn, while revenue from direct financing leases rose 4.7 per cent to ¥76.7bn, and from operating leases 4.7 per cent to ¥73.7bn. However, revenue from brokerage commissions and gains on investment securities plunged 90.8 per cent to ¥68.2m, on a sharp fall in brokerage revenue at Akane Securities, Orix's brokerage arm.

Overall expenses rose 6.9 per cent to ¥205.5bn, as Orix increased its provision for doubtful receivables and loan losses 4.4 times to ¥23.5bn. Interest payments rose 7.8 per cent to ¥153.9bn, and general costs 12.4 per cent to ¥31.7bn.

Yarn producer hit hard by BCCI collapse

By Robert Thomson

HOTTA TEXTILE Industry, a producer of twisted yarns, yesterday blamed a ¥28m (\$215,300) first-half pre-tax loss on the freezing of ¥2.5bn (\$19.26m) in deposits at the Tokyo branch of the Bank of Credit and Commerce International (BCCI).

The company, which reported a pre-tax profit of ¥4m for the same period last year, said some of the money had been raised through low-interest loans from Japanese banks and then deposited in a high-yielding, long-term account with BCCI.

It said that although it had not been receiving interest payments from BCCI, the Japanese banks had insisted on repayments of the borrowings. "We are still unclear about the status of our money with BCCI. We are unsure of the bank's future status," the company said yesterday.

The company, which is listed on the second section of the Tokyo Stock Exchange, has responded to the decline in Japanese textiles by attempting to diversify into rust prevention equipment and computer software.

Sales for the first half to the end of September rose 1.7 per cent to ¥4.8m.

Mazda dives 53% as domestic sales slump takes toll

By Stefan Wagstyl in Tokyo

MAZDA, the Japanese vehicle-maker which recently boosted its image with the success of a small convertible sports car, yesterday posted a 53 per cent decline in interim pre-tax profits, to ¥11.2bn (\$86.15m).

Reporting results for the six months to the end of September, the company said it had been hit by a weakening Japanese market. This had been compounded by changes in the law on parking, which made it more difficult to own vehicles in urban areas. Exports, which make up nearly two-thirds of Mazda's sales, were hit by declining demand in the US.

Sales fell 0.7 per cent to ¥1,102.5bn. The company sold 688,951 vehicles, a decrease of 5.7 per cent on the same period last year. The decline was particularly severe in Japan, where unit sales fell 10.4 per cent to 279,023.

Mr Norimasa Furuta, president, said although the global economic picture was not positive, Mazda was taking steps to secure its position in the market by launching new models and improving distribution.

Despite the squeeze on margins, Mr Furuta reaffirmed Mazda's commitment to investment in new products, highlighting its plans to develop advanced clean engines to meet changing environmental costs in laws.

Mazda said that in overseas markets, the decline in US sales was particularly severe, although the newly-introduced MX-3 sports car sold well. European sales rose slightly, boosted by the MX-3.

The company, which is partly owned by Ford Motor of the US, saw net profits fall 60.6 per cent to ¥4.25bn. For the full year, it forecasts a slight increase in sales to ¥2,540bn, but a sharp decline in profit from ¥49.1bn to ¥23bn.

Other leading Japanese construction companies reported strong rises in first-half sales, in spite of the downturn in the domestic property market during the past year. The construction industry has been helped by a Japanese government pledge to Washington that infrastructure spending will rise sharply during the year.

Shimizu Corporation reported an 8.4 per cent increase in sales to ¥906bn and a 5.7 per cent rise in pre-tax profit to ¥58.6bn. The company said that difficult financial conditions, higher interest rates and a weak stock market had resulted in falling demand in domestic construction.

But Shimizu expects Japanese contractors to profit over the longer term from planned urban redevelopment and from the promised increase in public infrastructure investment. Of Shimizu's sales, construction made up 55.3 per cent, civil engineering 12.3 per cent, and other operations 2.5 per cent.

For the year, the company expects sales of ¥2,150bn, up from ¥1,980bn last year, and a pre-tax profit of ¥123m, 8.8 per cent higher.

Taisei, the general contractor, reported a doubling of pre-tax profit to ¥38.9bn for the half, which it said followed strong domestic orders.

Taisei said that domestic orders rose 21.1 per cent to ¥731.7bn. The company expects sales growth to continue at about 15 to 20 per cent next year, even though Japanese economic expansion is slowing.

Sales for the year are expected to total ¥1,750bn, up from ¥1,549bn, and pre-tax profit is forecast at ¥93bn, a 19 per cent increase.

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Collapse of Nanatomi knocks Tobishima

By Robert Thomson in Tokyo

TOBISHIMA Corporation, the contractor and developer, reported a 53.2 per cent fall in pre-tax profit to ¥1.63bn (\$12.6m) for the first half to September as the company suffered heavy losses arising from debt guarantees for a bankrupt developer.

Sales for the period rose 19.2 per cent to ¥160.79bn, but the contractor said the financial losses arose from borrowings needed to cover debt guarantees of ¥104bn for Nanatomi, an ambitious resort developer and stock speculator which failed early this year with debts of close to ¥300bn.

Tobishima, which has been restructuring under the guidance of Fub Bank, has said it will concentrate on domestic construction, and has been scaling down its exposure to the troubled US and Australian property markets. For the year, the company expects sales of ¥531bn, up 26.5 per cent, and a pre-tax profit of ¥6bn, down 64.3 per cent.

Other leading Japanese construction companies reported strong rises in first-half sales, in spite of the downturn in the domestic property market during the past year. The construction industry has been helped by a Japanese government pledge to Washington that infrastructure spending will rise sharply during the year.

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But Shimizu expects Japanese contractors to profit over the longer term from planned urban redevelopment and from the promised increase in public infrastructure investment. Of Shimizu's sales, construction made up 55.3 per cent, civil engineering 12.3 per cent, and other operations 2.5 per cent.

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Radical change of IBM format

Louise Kehoe finds plans to focus more sharply on market segments

INTERNATIONAL Business Machines is planning to decentralise control of its vast empire by giving individual business groups much greater autonomy.

The company is expected to announce a significant restructuring of its worldwide operations in the next few weeks. Details of the changes are said to be near to being approved by the company's top managers.

IBM also intends to reduce overhead costs and eliminate some of the internal bureaucracy for which it is frequently criticised. This year, about 20,000 employees accepted voluntary redundancy and similar programmes are expected to continue through 1992 as the company streamlines its operations.

The US group's goal is to hone its competitive edge by creating groups that focus more sharply on specific segments of the computer market. These "companies within the company" are expected to be run as independent business units, although they will continue to have close ties to other parts of IBM, acting as internal purchasers or suppliers of equipment, components, software or services.

IBM has been moving towards decentralised management for several years, but recently the pace of change has accelerated. The scope of the expected management streamlining is expected to be much broader than the incremental steps taken to date.

The thrust of the changes will be to make IBM's "line of business" units, which control different product ranges, far more independent so that they can make decisions faster and compete more effectively with smaller, specialised computer manufacturers.

These have long been goals of Mr John Akers, IBM's chairman. Individual business units should be "measured like real businesses in terms of revenues and margins, profits and returns" Mr Akers said in an interview this year. "The more we can have individual business independence the faster on our feet we will be, and the quicker we will come to market with new products and the more skilled our people will be in that business."

In the past, IBM has given a great measure of independence to groups developing new lines of business, such as the personal computer group in the early 1980s and more recently IBM's computer workstation development group, both of which created highly successful products.

What is contemplated now within IBM, however, is a transfer of power that would also make the company's more mature businesses directly accountable for their performance.

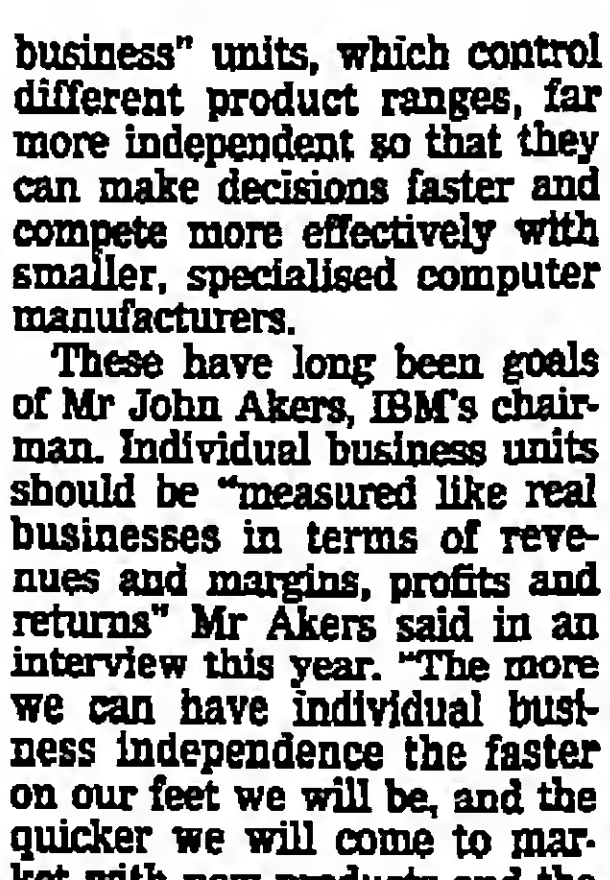
The impetus for change is clear. IBM is losing market share in several key sectors where it faces intense competition from specialised computer companies.

It is also suffering the effects of a severe computer industry downturn. Profits on operations fell 77 per cent in the first nine months of the year and revenue slipped 7 per cent.

Mr Akers recently sounded an optimistic note, saying "the worst is behind us", and projecting improved performance in the current quarter.

Nonetheless, analysts predict IBM's earnings will decline nearly 60 per cent this year, to about \$4.40 a share from \$10.51 in 1990. Its expected reorganisation would not, however, be a short-term fix, but a move to address fundamental technology and economic changes that are having a broad effect throughout upon the computer industry.

These include the "commoditisation" of personal computers, and the trend toward "open systems" standards which threatens to undermine the basis upon which computer companies such as IBM have



John Akers: wants individual business independence

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These include the "commoditisation" of personal computers, and the trend toward "open systems" standards which threatens to undermine the basis upon which computer companies such as IBM have

traditionally competed with proprietary hardware and software.

Transforming an unwieldy giant into an agile team is not easy. It is unclear, for example, how IBM's huge sales force might fit into a new structure. Also to be explained is how IBM would avoid sharp conflicts between "independent" business units at a time when technology advances are blurring the distinctions between different classes of computers.

How could IBM maintain its strict "no lay-offs" policy if individual business units are given responsibility for profit and loss?

Would not IBM's personal computer business, for example, be inclined to cut costs by reducing its workforce as Apple Computer and Compaq Computer, its chief competitors, have already done this year?

Faced with such complexities, IBM's top executives are not likely to favour radical change. As Mr Akers says: "We will continue to make adjustments. Only after the fact, each time, will we be able to say whether it was simply an adjustment or something more dramatic."

Dramatic or not, IBM's moves will be watched closely by other computer companies, many of which face similar problems and challenges. None has so far come up with the perfect formula to marry the economies of scale of an industry leader with the responsiveness of smaller highly-focused business units.

UK travel business helps boost Thomson

By Bernard Simon in Toronto

THOMSON Corporation's rising share of the UK travel market helped increase third-quarter operating earnings 9.5 per cent in the face of continued softness in its newspaper business.

The Canadian-controlled company's net earnings rose to US\$194m, or 35 cents a share, from US\$190m, or 34 cents, a year earlier. Sales advanced to \$1.76bn from \$1.67bn.

The results mainly reflect the benefits to Thomson, the UK's biggest tour operator, of the collapse of International Leisure Group, its main competitor. Despite recent signs of recovery, total UK travel bookings remain below last year's levels. But Thomson and its three remaining competitors have picked up nearly 2m holiday bookings between them from ILG.

Operating income of the travel division surged 30 per cent in the third quarter to \$145m. The company said its four operations achieved high load factors last summer with only modest price discounting. Early bookings for summer 1992 holidays were strong, and tours for this coming winter were selling well.

By contrast, operating earnings from North American newspapers fell 32 per cent to \$43m. Advertising lineage fell 7.1 per cent in the first nine months, with larger newspapers feeling the brunt of the decline. Circulations fell, especially in Canada.

UK regional newspapers, whose earnings are included in the information and publishing group, also saw lower operating income, although Thomson said their advertising base appeared to be stabilising. Third-quarter information and publishing income moved up to

\$133m, from \$118m, mainly because of cost savings. The company said, however, that advertising in its medical publications showed clear signs of improvement.

The publishing arm has spent \$13m on acquisitions so far this year. They include a reference publishing unit bought from the Maxwell group.

Thomson is likely to be in the forefront of potential buyers for other parts of the Maxwell empire which may be put on the block.

David Jones, the Australian retailer, will make a loss and is unlikely to pay a dividend for the year to June 1992 because of the group's interest bills. Mr Ken Russell, chairman, told the annual meeting yesterday. Reuter reports from Sydney.

The group paid no dividend for 1990-91 after making a net loss of A\$1.38bn (US\$1.05bn), against a profit of A\$253.39m a year earlier.

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Who's Who in Eastern Europe?

 HUNGAROCAMION

 TELKOM

 AUTOSAN


SHODA

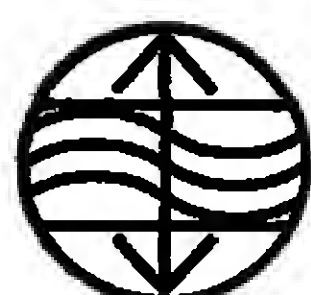
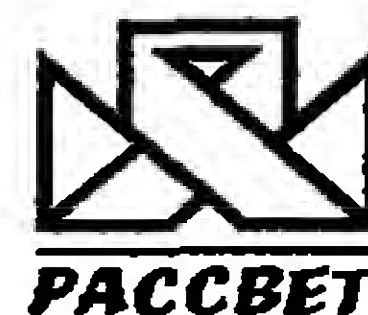


Cepelia

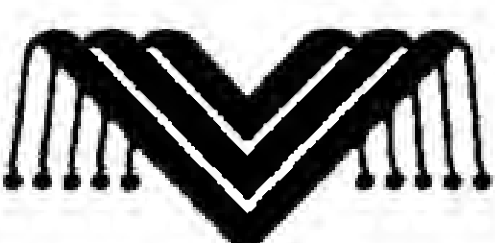
 Vremex

 SLAVA


SLOVNAFT


 UNITRA


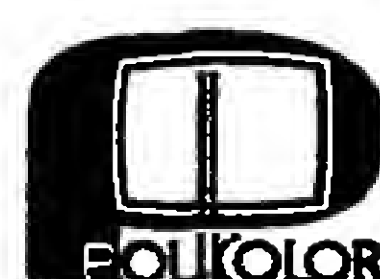
PACCBET



TEXTILANA



OZGEO

 IBUSZ
HUNGARIAN TRAVEL COMPANY


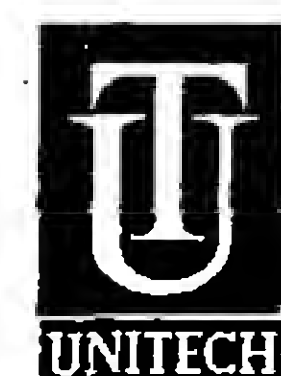
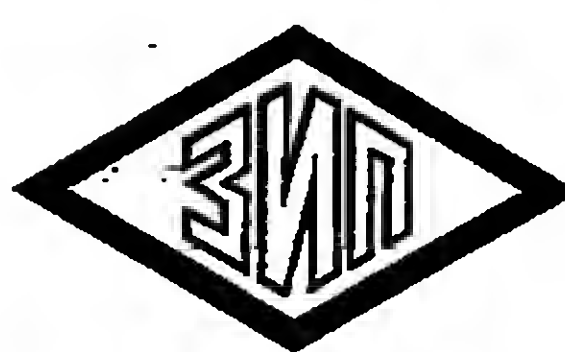
BOLICOLOR



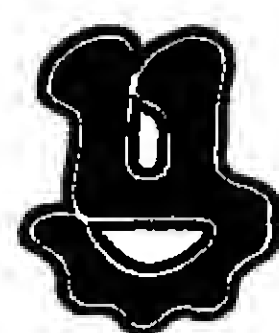
Centra



Cedok



UNITECH



LEON-TRADE



TUNGSRAM

Ciech

VITKOVICE

If there were a "Who's Who" for Central and Eastern Europe, the publisher would have to put out a new edition almost every day.

Budapest, Moscow, Prague, Warsaw: We're there to serve you.

The command economy has virtually ceased to exist, even in the country that invented it.

The Comecon trading bloc has been formally dissolved, documenting the desire of each member state to participate more fully in the world economy.

Both East and West stand to benefit from the trend toward closer commercial ties.

With a population of over 300 million, Eastern Europe represents a huge market for goods and services – one whose poten-

tial is increasingly being recognized by western firms with an eye to the future.

But for all the new opportunities, times of sweeping change are also times of risk. The transition to a market economy is taking on different forms and proceeding at various speeds across the region.

So to make sure that the uncertainties of doing business in the East remain manageable, western firms and investors need more than just a pioneer spirit.

If you've set your sights on long-term success, you'll need persistence, unconventional ideas and a willingness to implement them in unorthodox ways.

And you'll have to find the right local partner for your particular business venture. But how are you to know who's who in the East? And where are the prospects best for

the kind of operation you have in mind?

Because western companies find it difficult to assess events in the East from a distance, they do the logical thing – they talk to us.

Dresdner Bank has a tradition of excellent contacts throughout Central and Eastern Europe. Indeed, we were the first West European bank to open a Moscow office, with Warsaw, Prague and Budapest soon following. We are also a managing partner in a newly formed Budapest commercial institution, BKD Bank. Prague is soon to follow, and expansion to other cities is planned as well.

Thanks to this longstanding presence and our first-hand knowledge of political and economic developments, we can better evaluate the opportunities and risks

awaiting western exporters, importers and investors. The end result is practical advice tailored to specific business needs.

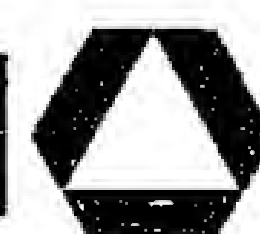
DOWC Ost-West-Consult, a member of the Dresdner Bank Group, focuses exclusively on consulting services for companies looking to do business with our eastern neighbors.

Our consulting professionals augment their own in-depth experience in the various national business environments by tapping the resources of "drekontakt", a kind of electronic "Who's Who" for Central and Eastern Europe providing continuously updated information on potential partners and financing strategies.

If you would like to know who's who in Eastern Europe, there's an easy way to find out.

Talk to us.

Dresdner Bank



INTERNATIONAL CAPITAL MARKETS

UK banks poor in 'real' profitability table, says agency

By Simon London

THREE of the UK's big four clearing banks made a return on equity below the rate of inflation on capital during the last financial year, according to IBCA, the London-based credit-rating agency.

The agency assessed the real profitability of 300 international banks. "Real" profitability was calculated by adjusting return on capital for inflation.

National Westminster, Barclays and Midland Bank all made a negative return on capital in real terms, as did Citicorp, the largest US bank.

In total, 60 banks surveyed made a return on capital below the inflation rate.

The most profitable bank in the survey for the third year running was Banco Popular Español, the Spanish institution.

Five other Spanish banks appeared in the top 40 most profitable institutions.

The most profitable UK institutions are those which focus on mortgage lending. Three

appear in the top 50 - Cheltenham & Gloucester, Alliance & Leicester and Abbey National - with several more building societies close behind.

The Japanese banks remain relatively unprofitable despite their huge balance sheets. For example, Dai-ichi Kangyo Bank, the world's largest in terms of assets, ranks at number 221 in terms of return on capital.

The most profitable of the Japanese banks is Sumitomo, the world's second largest bank in asset terms, which is ranked number 145 in terms of profitability.

Banks which experienced a dramatic fall in profitability included SEB Bank, the Swedish finance house, which fell from the 14th most profitable institution in 1989 to be 122nd most profitable last year.

IBCA commented that "this may only be a forerunner of the tumble all Swedish banks are likely to suffer in 1991".

SBC in first Eurobonds buy-back on own account

By Tracy Corrigan

SWISS Bank Corporation is to tender for up to \$200m of Eurobonds issued by the Commonwealth Bank of Australia, which it is buying for its own account. It is believed to be the first public buy-back in the Eurobond market by a bank for its own account, rather than on behalf of a particular borrower.

The bank is targeting two specific Eurobonds - the 11 per cent issue due 1995, of which \$83m is outstanding, and the 11 1/2 per cent issue due 1996, of which \$147m is outstanding. The tender reflects the view that Australian state and state-guaranteed entities are undervalued credits in the US dollar bond markets, said Mr Stephen Orlowski, managing director, fixed income.

Tender prices will be fixed at a spread of 85 basis points above the interpolated Treasury yield. However, SBC will be paying a 1/4-point commission to tender panel members, which will result in an all-in cost for SBC of 51 basis points above Treasury yield. SBC hopes the tender format will root out retail holdings which were missed in earlier programmes.

The Australian government, which has held several tenders to repurchase its own outstanding debt, has given its approval. The bank plans to sell the bonds at a later date to Australian investors, through its bank up with Commonwealth Bank, the Australian investment bank, in which Swiss Bank bought a 60 per cent interest from Midland Bank earlier this year.

Merger forms key Belgian brokerage

BELGIAN stockbrokers Bransbourg, Costermans, Eliot, Vanderborcht and Claude Joseph are to merge, Reuters reports from Brussels. The combined group will have consolidated own funds of more than FF150m, putting it among the top brokerages on the Brussels bourse. It will be named Bransbourg, Costermans, Eliot, Vanderborcht & Joseph.

Individual options languish despite D-share deadline

By Tracy Corrigan

AN ENTHUSIASTIC take-up of the London International Financial Futures Exchange's 'D' share offering, which closes this evening, will be no more than a first step in a drive to rejuvenate stock option trading when Life merges with the London Traded Options Market in January.

Four hundred 'D' shares, priced at £15,000 each, are on offer. Each gives its holder the right to have one trader on the floor of the new exchange to trade equity options. The minimum of 200 shares, which has to be taken up for the merger to go ahead, is expected to be met comfortably.

However, despite plentiful applications, individual stock options may still be neglected as many firms plan to concentrate their resources on the exchange's higher-volume index-linked products.

LTOM's failure to boost trading volume in individual stock options was part of the merger's raison d'être. However, the new exchange now has to prove that the juxtaposition of successful interest rate products can help boost business in instruments which languished on LTOM.

Such a turnaround is only likely if members are willing to commit resources to a market whose future is still uncertain. If volume fails to pick up, Life will consider a switch to screen-based trading.

"We are not anticipating dramatic growth in individual stock options," said the head of equities at one leading market maker.

Most firms say they will be concentrating their efforts on index products, where there is

the greatest potential for growth. "We expect volumes in FT-SE futures and options to expand dramatically" after the merger, said Mr David Heron, Capel's head of derivatives, which is applying for 12 shares.

Mr Nigel Morahan, of GNI, which expects to take up its three priority applications, said his firm would focus on FT-SE 100 index options and other country indices, rather than on pan-European products like Eurotrack.

UBS Phillips & Drew, which has applied for 13 shares, is bullish on the Eurotrack 100 European index products, even though volume has been extremely low to date.

Developing that contract fits with the firm's "pan-European approach".

However, a few firms are optimistic about the prospects for individual options.

"We are more bullish on stock options than seems to be common," said Mr David

Roden, head of options trading at BZW Securities, which is applying for 15 shares. He added that the firm was "happy to commit resources, market-making capital and traders, with a view to at least helping the market on its way".

However, it is generally accepted that a genuine market will not emerge without a viable number of participants.

While the general take-up of the share offering is expected to be strong, smaller players may be squeezed out of the larger marketplace.

Brown Shipley Stockbroking, one of the few provincial dealers to generate sufficient volume on LTOM to have a priority application, is unlikely to take up its seat because of the increased costs of service charges and agency fees involved.

Mr Philip Dyson, a director, believed that, for firms like Brown Shipley, it was becoming "more and more difficult to deal in stock options". The bias of Life, undoubtedly the dominant partner in the merger, towards institutional rather than retail business could reinforce this trend.

DTB STUDIES LINKS OUTSIDE GERMANY

THE BOARD of Deutsche Terminbörse is discussing plans to extend the German futures exchange's trading network outside Germany, writes Tracy Corrigan.

Initially, the DTB would offer computer terminals to members' overseas offices. German firms have been the exchange's mainstay, but the DTB has been offering terminals to firms outside Germany unless they have a unit which is a member of the exchange.

An official at the DTB said that such an extension of the

DTB network was technically possible.

Overseas members would be able to participate in all DTB products, which included German stock index instruments and individual stock options.

The move would step up the exchange's battle for dominance of the bond futures market with the London International Financial Futures Exchange (LIFFE). The DTB has substantially increased its market share in German bond futures, helped by the suspen-

sion of transaction fees on the bond contract in August. An official said that the fees holiday would end in the middle of next year.

However, the exchange was working to reduce computer costs for members, an official said.

Meanwhile, the exchange is negotiating with the Chicago Board of Trade about establishing 24-hour trading in the bond contract. Structural differences between the two markets are proving a stalling point.

Lifetime trading ban for main Osler shareholders

By Bernard Simon in Toronto

THE Ontario Securities Commission has imposed a lifetime trading ban on the three main shareholders of Osler, a Toronto brokerage firm which collapsed four years ago.

The ban, which is the most severe punishment meted out by a Canadian securities watchdog, follows a lengthy hearing which the OSC said had uncovered "overwhelming evidence of dishonesty" on the part of Mr Len Gaudet, Osler's chairman, and his two associates, Mr Paul Cohen and Mr Tony Chesnut.

Mr Gaudet, enjoyed one of the most high-flying lifestyles in the Toronto investment community during Osler's heyday in the mid-1980s.

The OSC also imposed trading bans, ranging from one to 20 years, on four other people involved in the Osler collapse.

The firm's problems stemmed from efforts to recoup relatively modest bond trading losses in 1986.

Far from turning the losses around, the firm resorted to an intricate cover-up operation, with large amounts of money also being siphoned off for the personal gain of the principals.

By the time the firm collapsed in December 1987 it had run up losses of C\$38m (US\$33.7m).

The main victim was the Canadian Co-operative Credit Society, the lender of last resort to Canada's credit union movement, which lost C\$25m.

A CCCC money-market trader was implicated in the cover-up and has been banned from trading for 20 years.

Japanese bank bravely dips a toe in Canadian sector

By Tracy Corrigan

INTERNATIONAL BONDS

THE Export-Import Bank of Japan braved the threat of a sales ban to launch a \$300m issue of six-year Eurobonds, which paid the price when the underlying Canadian government bond market sank 40 points.

According to lead-manager UBS, the deal, launched early yesterday, had been almost entirely sold by Toronto opening, when the sell-off started, spurred by fears about the currency.

Dealers said the bonds met firm initial demand despite a sales aggressive pricing, due to the rarity of Japanese corporate names in this sector, which prompted both European and Far Eastern buyers. In addition, the relatively large size of the issue means it will be a trading benchmark.

spread of 85 basis points above the March 1997 government bond, but some dealers complained that the deal was tighter over the interpolated yield curve. The spread tightened to 81 basis points, while the price fell to \$8.85 bid, from a fixed-reoffer price of \$9.80.

Meanwhile, the European Coal and Steel Community, an arm of the European Community, postponed a Eurobond issue, due to be launched yesterday, as a result of growing uncertainty about possible changes to Italian withholding tax. The mandate to arrange the issue, expected to be L400m to L500m, had not yet been awarded.

Currently, Italian investors do not have to pay withholding tax on bonds issued by international agencies like the ECSC, the European Investment Bank and the European Community. However, there are budget proposals to change the taxation of Italian entities like Ferruccio, which are also currently tax exempt, in order to charge at

12 per cent withholding tax, in line with government bonds. Fears are mounting that international agencies may also be brought into this category, and prices fell by as much as a point in some deals.

However, it is unclear whether existing tax exempt paper would be excluded from such a change.

In the domestic sterling market, The Housing Finance Cor-

poration, a specialist agency which lends to housing associations, launched a \$100m issue of 11 1/2 per cent debentures due 2016. The paper, secured on housing association loans, was mainly sold to UK life insurance companies, which need long-dated assets for match-funding purposes, according to lead manager Samuel Montagu.

Elsewhere, Société Nationale des Chemins de Fer Français,

the French state-owned railway, raised FF2.5bn split between domestic and international markets. The fungible issue of 9 per cent debentures due 2003 now totals FF7.47bn.

● The Ukraine's fledgling national bank, pushing ahead with plans to introduce its own currency, has signed a contract in Canada to print banknotes. Reuters reports from Kiev.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
Banque Indosuez(a)(f)	60	9 1/2	102	1996	1.8/1 1/2	Dawson Europe
CANADIAN DOLLARS Export Import Bank of Japan(f)	300	8 1/2	101.40	1997	27 1/2 bp	UBS Phillips & Drew
FRANCE (a)(f)	600m	8.5	101.80	1997	17 1/2 bp	Nichols Corbett
FRANCE (a)(f)	2.5bn	9	99.828	2003	35bp	Banque Paribas/BNP
FRANCE (a)(f)	100	4 1/2	100	1996	-	Credit Suisse

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY			
British Funds	Rise	Fall	Same
Corporations, Dominion and Foreign Bonds	20	44	26
Financial and Properties	140	109	536
Government Bonds	8	2	5
Others	14	27	112
Totals	443	534	1,790

LONDON RECENT ISSUES			
Issue	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

FIXED INTEREST STOCKS			
Issue	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

RIGHTS OFFERS			
Issue	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

TRADITIONAL OPTIONS			
Issue	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

LONDON TRADED OPTIONS

CALLS			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

PUTS			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

STOCKS			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

BONDS			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

FUTURES			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

COMMODITIES			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

CURRENCY			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

INDEXES			
Option	Amount	Price	Yield
British Steel	100	101.40	8.5
British Telecom	100	101.80	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5
British Airways	100	101.40	8.5

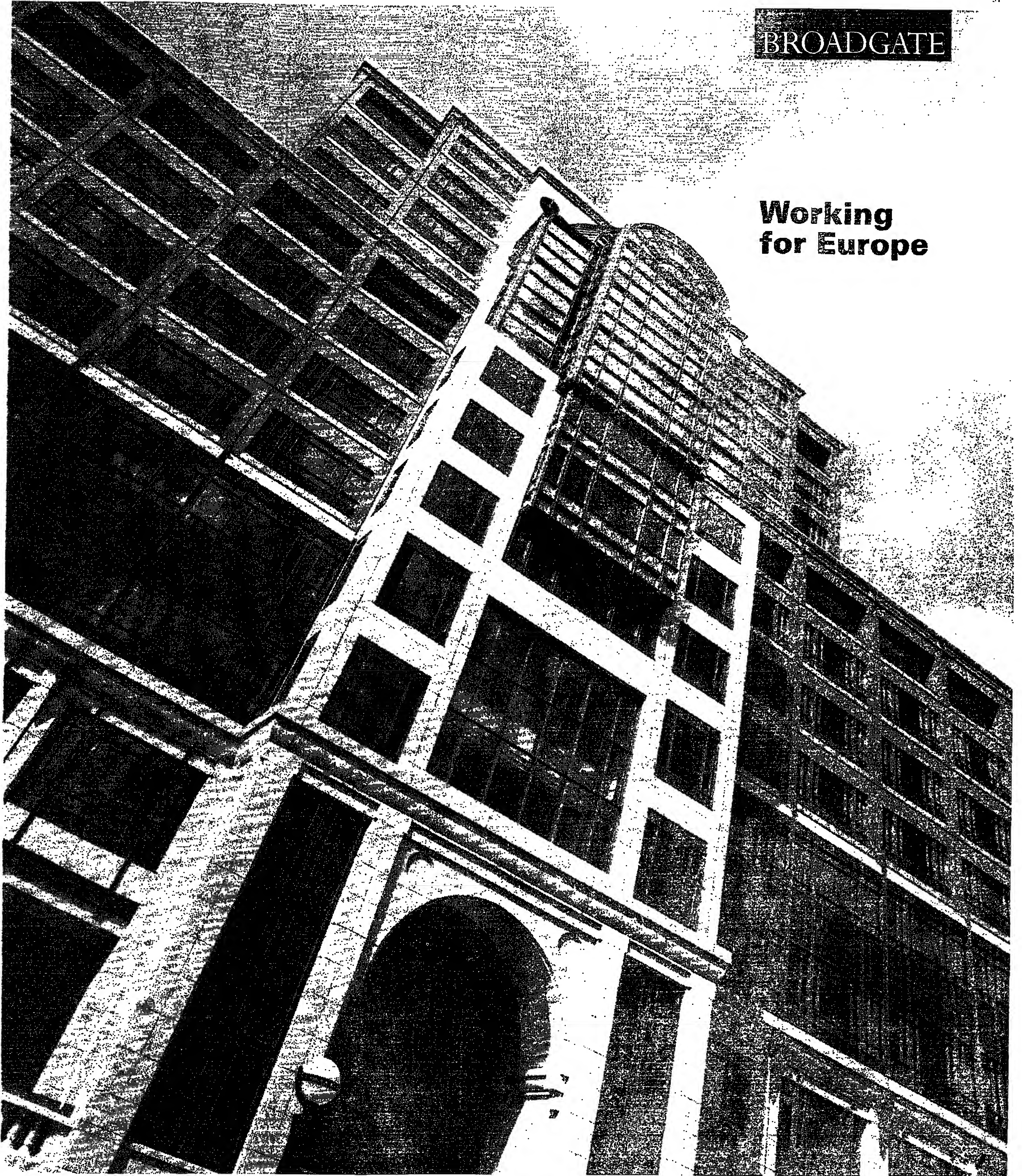
FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS		Wednesday November 20 1991															
& SUB-SECTIONS										Nov 19		Nov 18		Nov 15		Year ago (approx)	
Figures in parentheses show number of stocks per share	Index No.	Index No.	Day's Change %	Est. Earnings (Mill.)	Gross Div. (Cts at 22%)	Est. P/E (Ratio)	est. adj. to date	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.
1	CAPITAL GROUPS (121)	769.01	+0.1	9.08	6.34	14.02	32.12	768.04	762.21	792.08	717.37						
2	Building Materials (23)	930.88	+0.1	7.87	6.69	16.79	41.55	930.07	904.75	973.65	962.28						
3	Contracting, Construction (30)	1011.94	+0.1	9.07	7.27	18.06	50.73	1012.49	1003.33	1043.33	1049.95						
4	Electricals (11)	2386.36	+0.2	9.07	6.12	13.98	98.23	2381.85	2405.78	2443.83	1887.85						
5	Electronics (257)	1647.47	-0.4	11.07	5.70	11.48	51.95	1680.14	1693.61	1700.63	1626.73						
6	Engineering, Aerospace (24)	1095.26	+0.1	11.07	5.70	11.48	38.23	1095.05	1087.53	1124.33	1048.55						
7	Engineering-General (43)	464.88	+0.1	10.48	5.38	11.75	16.79	464.60	467.07	477.07	354.83						
8	Metals and Metal Forming (9)	337.12	+1.7	2.19	10.51	18.43	33.51	345.75	341.51	366.25	366.25						
9	Motors (12)	311.21	-0.4	8.32	7.74	15.96	17.56	312.65	319.33	321.33	289.25						
10	Other Consumer Goods (209)	1000.00	+0.1	9.07	7.27	18.06	50.73	1000.00	1000.00	1000.00	1000.00						
11	CONSUMER GROUP (190)	1551.79	+0.4	7.43	7.62	16.45	36.41	1549.55	1545.28	1601.33	1503.54						
12	Brewers and Distillers (22)	1879.81	+0.1	8.22	3.58	14.79	38.33	1877.59	1898.78	1939.78	1531.15						
13	Food Manufacturing (19)	1177.93	+0.5	9.73	4.28	12.73	30.09	1171.81	1186.74	1209.72	1022.08						
14	Food Products (20)	1000.00	+0.1	9.07	7.27	18.06	50.73	1000.00	1000.00	1000.00	1000.00						
17	Health and Household (23)	4095.94	+0.8	5.02	2.35	22.86	67.75	4082.45	4047.85	4247.85	2393.46						
19	Hotels and Leisure (24)	1308.22	+0.1	7.79	3.58	15.87	45.61	1307.88	1325.32	1347.88	1222.25						
20	Media (26)	1424.55	+0.4	7.38	5.01	17.70	47.37	1419.88	1444.74	1471.11	1310.11						
21	Advertising, Paper & Printing (17)	1000.00	+0.1	9.07	7.27	18.06	50.73	1000.00	1000.00	1000.00	1000.00						
24	Stores (29)	1000.00	+0.5	7.45	7.65	17.58	25.03	1001.102	1001.81	1001.81	999.44						
25	Textiles (10)	628.25	+0.5	7.40	9.44	17.22	19.91	624.92	628.78	642.78	622.56						
40	OTHER GROUPS (114)	1191.94	+0.4	9.91	5.45	17.24	36.29	1195.45	1248.83	1232.49	983.83						
41	Business Services (24)	1000.00	+0.1	9.07	7.27	18.06	50.73	1000.00	1000.00	1000.00	1000.00						
42	Chemicals (22)	1396.49	+0.7	7.13	5.24	14.72	48.39	1387.24	1397.64	1411.21	1031.67						
43	Conglomerates (11)	1000.00	+0.9	10.41	7.55	11.64	38.87	1374.82	1384.73	1418.19	1293.57						
44	Transport (13)	2901.22	+0.7	5.00	4.94	22.17	68.28	2886.19	2926.04	2956.04	1827.68						
45	Electricity (11)	1217.23	+0.2	11.63	6.43	12.97	25.03	1217.23	1170.64	1170.64	1000.00						
46	Telephone Networks(4)	1433.22	-0.6	10.93	4.41	11.98	28.24	1421.64	1426.76	1450.55	1135.95						
47	Water(10)	2261.89	+0.1	12.28	6.86	10.85	125.82	2264.12	2291.15	2358.02	2054.76						
48	Miscellaneous (23)	1774.59	+1.0	5.55	5.56	24.94	70.30	1757.93	1808.26	1829.29	1495.38						
49	INDUSTRIAL GROUP (461)	1244.07	+0.3	8.51	4.49	14.72	35.58	1259.89	1268.27	1292.46	1038.26						
51	Oil & Gas (14)	2308.62	+0.6	11.32	6.02	11.67	103.73	2293.35	2300.20	2381.75	2293.11						
59	500 SHARE INDEX (500)	1335.98	+0.4	8.86	4.88	14.27	41.31	1330.92	1324.13	1372.95	1222.73						
61	FINANCIAL GROUP (917)	786.79	+0.2	-	-	6.24	-	781.96	763.38	762.73	715.95						
62	Banks (9)	874.41	+0.2	4.76	6.10	39.61	37.46	872.78	874.68	874.68	767.59						
63	Insurance-Life (7)	1455.87	+0.3	-	-	8.82	-	1453.68	1453.68	1453.68	1453.68						
66	Insurance (Composite) (6)	539.94	+0.4	-	-	8.13	-	532.94	537.22	557.80	566.96						
67	Insurance (Brokers) (40)	1010.75	-1.9	8.08	6.50	16.29	43.14	1022.12	1073.88	1098.89	938.49						
68	Merchant Banks (7)	476.54	+0.1	-	-	4.59	-	476.54	485.56	488.56	408.25						
69	Other Financial (24)	895.21	+1.1	6.24	5.31	22.64	22.64	895.21	895.21	895.21	746.71						
70	Other Financial (24)	243.11	-0.1	11.66	7.11	30.79	11.73	243.33	243.33	243.33	243.33						
72	Investment Trusts (70)	1818.15	+0.7	-	-	3.64	-	20.18	1171.68	1184.34	1201.14	1001.44					
99	ALL-SHARE INDEX (641)	1194.77	+0.4	-	-	4.99	-	38.60	1190.42	1208.01	1228.71	1022.31					
		Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.
	FT-SE 100 SHARE INDEX (2472)	2472.6	+19.5	2465.6	2469.7	2463.1	2502.9	2546.6	2501.4	2548.4	2548.4	2126.1					

BROADGATE

**Working
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EUROPEAN BANK
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Rosehaugh Stanhope Developments plc
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In 1992 the Bank will occupy the 375,000 sq ft
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ROSEHAUGH

STANHOPE

UK COMPANY NEWS

RHM up 15% despite bread setback

By Michio Nakamoto

RANKS HOVIS McDougall warned that intense price competition in the bread market would continue to affect profits.

The statement came as the foods group, which makes Hovis bread and Mr Kipling cakes, announced a 15 per cent rise at the pre-tax level, from £131m to £150.2m.

The results for the year to August 31 reflected record profits from five of the companies, but a setback in the core milling and bread baking operations which suffered difficult trading in the face of competition from lower price bread.

Profits from the core business have slipped in the past few years and fell from £52m to

£59.8m this time. Meanwhile, the effects of the cut price strategy being launched by some competitors was likely to hurt profitability in the short term.

"We have no choice but to sweat it out," said Mr Stanley Metcalfe, chairman.

The price war affected the group's white sliced bread, which accounts for about 35 per cent of its bread business. It was now a very efficient producer, having cut the number of bakeries from 64 ten years ago to 19, which in turn increased productivity threefold. It has also invested in technology and marketing.

"I'm not discouraged by the position of RHM," Mr Metcalfe

said. It is financially strong and its 28 per cent market share will not be affected.

It has restructured operations, selling part of its businesses and closing some principal sites. These steps led to an extraordinary charge of £25.6m (profit £130.4m).

In the US, the recession, abnormal peanut and tomato crops all contributed to a fall in sales and margins.

Other businesses performed better, with Manor Bakeries, which makes Mr Kipling and Cadbury cakes, grocery and food services reporting higher volume and profits.

The group, which has 90 per cent of its sales in the UK and some 10 per cent in the US, is

continuing to focus on continental Europe, where it already supplies bread to all the Marks and Spencer stores, for further expansion.

Trading profit was down to £145.7m (£179.8m). The increase in taxable income was helped by net interest earned of £5.7m, compared with a previous net interest charge of £29.6m and the absence of exceptional costs compared with £17m last year. The group has a net cash balance of £78m.

Turnover, not including disposed businesses, rose to £1.53bn (£1.51bn). Earnings per share were 23.5p (24.8p) and a final dividend of 9.54p gives a total of 13.36p (12.74p).

See Lex

Improved margins lift Courtaulds to £96.4m

By Paul Abrahams

COURTAULDS, the specialist materials group, yesterday reported an 11 per cent rise, from £87.1m to £96.4m, in pre-tax profits for the six months to September 30.

The key element in the results, according to Mr Sipko Huisman, chief executive, was the improvement in operating margins from 9.1 per cent to 10.2 per cent.

Turnover rose slightly from £947.8m to £958m.

"Outside the Far East, economic conditions have been far from helpful to most of our businesses," said Mr Huisman. "The US market improved during the second quarter, but the recovery petered out in September. It's not a second downturn, but it's just stopped improving."

The most profitable division was fibres and films which increased its profits from £24m to £38m on a lower turnover of £294m (£299m).

The acrylics businesses, benefiting from a closure of the plants and downsizing in Barcelona, performed particularly well providing about half of the rise.

The coatings business reported profits of £28m (£26m), performance materials £20m (£18m), packaging £11m (£10m) and chemicals £16m (£15m).

Mr Huisman said the recession had not blown the company off course. Courtaulds would concentrate on businesses which required low capital cost and could be replicated in Europe to other parts of the world.

Earnings per share rose 7 per cent to 19.1p (17.5p). The interim dividend is increased 7.4 per cent to 3.65p (3.4p). The shares closed up 3p at 47p.

COMMENT

Courtaulds' management has a clear strategy that appears to be paying off. The benefits in shutting down excess capacity and exiting the carbon fibre business have been demonstrated. Its desire to expand in the Far East, while turning its back on the straits of eastern Europe also seems sound. There are some concerns: the investment in the US aerospace sealants business appears to have been poorly judged, timed just before the crash in demand from both the military and civil sectors. Nevertheless, given the company's discount to other chemical groups in the market, the shares look good value.

Celebrating the growth while waiting for a milk shake-up

Northern's sales will double with its Express buy

MR CHRISTOPHER Haskins, chairman of Northern Foods, had reason to celebrate yesterday afternoon. In one day, he had reported a 16 per cent rise in first half pre-tax profits, earned a stock market welcome for a planned £227m rights issue and agreed an acquisition which promises to set his company on a new growth path.

The proposed purchase from Grand Metropolitan of Express Dairy's liquid milk and chilled dairy products businesses will more than double Northern Foods' dairy sales and transform it into one of the three largest players in the UK market.

Short term, the deal offers Northern profitable opportunities to apply its talents for cost-cutting, which it has already demonstrated in its dairy, meat, grocery and convenience foods operations in the past few years.

Longer term, the acquisition promises to strengthen the company's muscle as a milk buyer ahead of the long-awaited reform of the Milk Marketing Board (MMB) cartel.

The deal has still to run the gauntlet of government competition policy. However, Mr Haskins said yesterday that discussions with the Office of Fair Trading had left him confident that the watchdog would not recommend a reference to the Monopolies and Mergers Commission.

The enlarged group will have dairy sales of almost £1bn annually and expects to purchase about 19 per cent of UK milk production. It will command about 24 per cent of the £3bn liquid milk market - rivaling the leadership of Dairy Crest, the MMB's distribution arm - and 30 per cent of total yoghurt sales.

Geographically, the acquisition is a neat fit, adding about 1,800 Express milk rounds in the south of England to Northern's 4,000 rounds further north. Express' Eden Vale, Ski and Munch Bunch yoghurts, meanwhile, will provide brand strength which Northern, predominantly an own-label supplier to leading retail chains, has hitherto lacked.

Perhaps the most compelling argument for the deal is the scope it offers for rationalisation - a point repeatedly emphasised by Mr Haskins.

Increasingly a mifist in GrandMet's recent policy of focusing on internationally-branded products, Express has in recent years suffered from under-used capacity and unimpressive profits. Its margins on



Christopher Haskins: plans to raise Express' efficiency

dairy products are only about 7 per cent, compared with the 11 per cent earned by Northern, the highest in the industry.

Mr Haskins plans to raise Express' efficiency to Northern's standards in the next two years by converting its milk rounds to franchises, as Northern has already done, re-allocating production and stripping out duplicated head office costs. He would not say whether plant closures would be needed.

How much the acquisition contributes to growth in the longer term will depend on the shape of the dairy market if and when the UK milk market is liberalised. At present, the MMB sets prices according to what milk is used for, at levels determined by the profitability of the final product.

Northern's assumption is that, in a free market, prices will tend to converge. That should increase input costs for products which involve relatively low added value, such as commodity cheese, and lower them for those which involve more sophisticated and expensive processing.

Though the timetable for change remains uncertain, that logic is accepted by many industry analysts. However, a few, such as Mr Alan Erskine of investment bank Salomon Brothers, have reservations. Mr Erskine argues that profits on liquid milk sales, which will form the bulk of Northern's enlarged operations, could be squeezed once farmers

Guy de Jonquieres

Maxwell banks to try to rejig loans

By Robert Peston

NATIONAL Westminster Bank, lead banker to the Maxwell family's empire of private companies, was yesterday locked in crisis meetings with other banks in an attempt to initiate a formalised restructuring of £800m of loans to these private companies.

But there was speculation that some banks would in the meantime sell shares in Maxwell Communication Corporation, which they hold as security against some private company loans. So shares in MCC, the Maxwell family's main publicly quoted company, fell from 46p to a new low of 38p.

As a first step in a restructuring, NatWest is trying to provide terms acceptable to Swiss Bank Corporation, whose £55m loan to Adviser (188), a Maxwell vehicle, is in default.

SBC said it had no plans to call in receivers to the Maxwell company, even though it

would not rule this out as an option.

However, SBC is insisting that the Maxwell family take steps to provide it with "value". In other words, it needs comfort that the loan is capable of being repaid.

If SBC is placated, NatWest will then attempt to persuade all other banks to agree to a six-month standstill - or freeze on principal repayments - covering loans to the private companies. During the standstill, the Maxwell family would be expected to make a business plan to pay off the loans.

SBC is embittered by the way its £55m loan went into default. Adviser, a subsidiary of Headington Investments, borrowed the money at the beginning of August for the acquisition of First Tokyo, the investment trust.

A condition of the loan was that Adviser should deliver First Tokyo's portfolio of

shares to SBC, which SBC would keep as security for the loan. This portfolio, of Japanese shares, was valued at £45m at the end of 1990.

Adviser was expected to deliver the shares to SBC after it had completed the takeover of First Tokyo in the autumn. However, by the beginning of November, SBC had still not received the portfolio.

It therefore became alarmed about Adviser's ability to repay the loan, when it falls due next April. Bankers said yesterday that SBC could not get a satisfactory explanation from the Maxwell family for the absence of the shares or what had happened to them.

Nor was SBC happy with proposals from the Maxwells that it should take other private company assets as collateral instead.

The Serious Fraud Office is currently investigating the SBC loan.

COMPANY NEWS IN BRIEF

BEAZER: Hanson has extended its offer for the ordinary and preference shares until November 26.

CHEMREX GROUP: has entered a joint venture with Wessex Water to develop and determine the agricultural and horticultural market potential

of a sewage sludge treatment process known as Protex. They expect to complete investigations, including the product's likely market, by the end of March 1992.

ELECTROCOMPONENTS: subsidiary, Electro Lighting Group, has sold its distribution

facility at Brackmills, Northampton, to GB-Thorn Leaps, a wholly-owned subsidiary of the US General Electric Corporation, for £9.54m.

HARTLEPOOL'S WATER: Northumbrian Water has purchased 87,600 shares (11.97 per cent) at 850p apiece.



COMMERCIAL UNION PLC

NINE MONTHS' REVIEW

Non-life markets remain difficult despite signs of improvement

★ Life profits increase to £80.7m (1990 £74.5m) with good life premium growth of 15%.

★ Loss from non-life business of £123.1m (1990 loss £47.3m).

★ Actions to improve results continue to be taken in all operations, including premium rate increases where possible.

★ Results deteriorated in the United Kingdom and most of Continental Europe but improved in the Netherlands and in North America.

★ Shareholders' funds increased by £89m to £1,324m.

HIGHLIGHTS		
	9 months 1991 Unaudited	9 months 1990 Unaudited
Total premium income	£3,089m	£2,700m
Operating result before taxation	(£42.4m)	£27.2m
Profit attributable to shareholders	£10.9m	£61.8m
Earnings per share	(9.8p)	3.9p

Note: Profit attributable to shareholders includes realised investment gains after taxation of £53.6m (1990 £45.3m).

COMMERCIAL UNION PLC

Commercial Union drops £42.4m into the red

By Richard Lapper

MOUNTING commercial theft and reinsurance losses pushed Commercial Union, the UK composite insurer, into the red to the tune of £42.4m in the nine months to September 30.

The group made a profit of £27.2m in the same period of 1990. Losses per share were 9.8p compared with earnings of 3.9p. After realised investment gains earnings amounted to 2.6p (14.5p).

Non-life premium income grew to £2.14bn (£1.89bn) and life premium income to £945.5m (£812.7m). Investment income rose to £209.9m (£188.8m).

Life profits improved to £80.7m (£74.5m). However, underwriting losses of £338.1m (£236.1m), of which £157.7m (£82.2m) were incurred in the UK, dominated the figures.

The group has escaped the mortgage indemnity claims that have plagued other companies in the sector, having opted to stop underwriting such business in 1986.

However, it has been hit by recession-related losses such as rising levels of commercial

crime. Underwriting losses from its UK commercial business as a whole amounted to £62.7m (£51.1m).

According to Mr Peter Ward, general manager of UK operations, commercial theft costs have risen by £7m. "The theft of personal computers from offices and shops has been enormous," said Mr Ward.

CU has also incurred heavy losses on its London market marine business. Marine losses amounted to £21m compared with a profit of £7m last year, largely reflecting the impact of catastrophes in 1988, claims from which are still being settled.

London market non-marine business has also deteriorated, with underwriting losses amounting to £21.8m compared with £11.5m last year.

Losses in UK personal lines business grew to £52.2m (£36.8m), although there was some improvement in the third quarter, especially in the motor sector which registered a small underwriting profit of £300,000 (£300,000).

ICI Colours sells French offshoot

ICI Colours is selling its Société des Colorants d'Oiselle subsidiary to Crompton and Knowles of the US for an undisclosed amount which is less than 1 per cent of group assets.

The subsidiary produces pre-metallised dyes for textiles and

Connecticut-based Crompton and Knowles is a leading US dyes supplier.

The sale reflects ICI Colours' plan to focus on the cotton and polyester colours segments as its core textile business areas. It will continue to make ink pigments at the Oiselle site.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Courtaulds	3.85	Jan 31	3.4	-	12
Forward Gp	1	Dec 30	1	-	2.2
Northern Foods	8.85	Feb 21	8	-	14.5
Parlind Textile	1	Jan 11	1.5	-	2.5
Ranks Hovis	8.54	Jan 24	8.82	13.36	12.74
Scanlon	0.78	Jan 17	0.79	-	2.875
Stant	4.5	Jan 16	2.4	4	4
Stratagone	4.5	Jan 16	2.4	4.5	4
Vesper Thorny	4.1	Jan 21	3.5	-	11.375
Wagon Industrial	6.325	Feb 26	6.325	-	17
Whitebread	4.35	Jan 17	4.35	-	18.3
Willis Corroon	3.9	Jan 2	3.5	13.2	13.2

Dividends shown above are subject to approval where remuneration related.

WAGON INDUSTRIAL

Continuing Financial Strength

	Half Year to 30.9.91 £000	Half Year to 30.9.90 £000	Year ended 31.3.91 £000
Turnover			
- on-going businesses	113,983	114,293	233,040
- businesses sold	-	20,531	22,944
Profit before exceptional items	8,024	9,505	21,516
Provisions for factory and product rationalisation costs	(2,000)	-	-
Profit before taxation	6,024	9,505	21,516
Earnings per share			
- basic	9.71p	16.25p	38.51p
- diluted	10.12p	15.50p	35.89p
Dividend	6.325p	6.325p	17.00p

"Automotive Products Division improved profits slightly... but the other Divisions fell back.... The Group has, however, responded well to the continuing difficult economic conditions and is putting in place a number of fundamental changes which will be of benefit next year and for the longer term."

P D TAYLOR, CHAIRMAN

A copy of the Interim Statement will be posted on 21st November 1991 and additional copies may be obtained from The Company Secretary, Wagon Industrial Holdings p.l.c., Haldane House, Halesfield, Telford, Shropshire TF7 4PB or telephone 0952-680111.

MATERIAL HANDLING & STORAGE ENGINEERING AUTOMOTIVE PRODUCTS

FULCRUM INVESTMENT TRUST P.L.C.

Preliminary results (subject to audit)

	Year ended 31.10.91	Year ended 31.10.90
Net Revenue before tax	363,896	374,667
Dividends per Income share	8.20p	8.60p
Net Assets per Valuation	3,380,548	3,021,009
Net Asset Value per Income Share	42.11p	42.23p
Capital Share	12.65p	10.35p

Second Interim Dividend in lieu of Final of 5.90p per Income share, making 9.20p per share for the year (8.60p per share) payable 31st December 1991 to shareholders registered 5th December 1991.



MAUNBY

John Thornhill and Karen Zagor on the group's problems in the run-up to Christmas

Peter Jarvis: outlook for bad debts has recently worsened Tony Andrews

bad debts charge, were 5 per cent lower at £231.1m (£213.3m). Overall volume sales fell by 6 per cent, reflecting the sale of 350 pubs and poorer business in the tenant and take-home trade, but volumes in the free-trade were more than 10 per cent higher. Boddingtons bitter sales increased by 40 per cent and Murphy's stout by 12 per cent.

Profits from the Pub Partnership leased estate rose from £32.4m to £33.7m on turnover £15.2m lower at £127.4m.

The managed retail division increased turnover from £262.5m to £265.9m, but profits fell 9 per cent to £61.7m (£67.8m).

Profits were 20 per cent ahead in the Brewer's Favourite

and Beefeater pubs. The acquisition of GrandMet's Bernal Inn, now being absorbed into Beefeater, pushed interest charges up from £7m to £17.4m.

Apart from the budget Travel Inns, where the occupancy rate is higher than 60 per cent, the hotels division had a difficult period with profits 35 per cent lower.

Pizza Hut increased sales and market share but profits fell. The Threshers off-licence chain improved sales by 3 per cent and profits by 8 per cent.

Profits from property disposals increased by £4.7m to £17.8m. The company has now sold 500 pubs and another 600 will be sold in the next six months.

See Lex

By Philip Rawstorne

The deal would lift Allied's share of the UK beer market by an estimated 0.5 to 1 per cent, consolidating its position after the proposed joint venture with Carlsberg, at about 19 per cent.

It would also help significantly to meet Allied's requirements under the government's beer orders to dispose of 2,390 pubs by November next year.

It has already sold 785.

If the Pubmaster transaction goes ahead, it will include a series of financial and legal safeguards to protect Allied's interests.

Brent Walker said in a statement yesterday that the deal was expected to increase its cash flow.

Mr Doug Henderson, Labour trade and industry spokesman, yesterday again pressed the OFT to ensure that the deal would not lead to the closure of Brent Walker's Cameron brewery at Hartlepool.

Mr Alistair Arkley, former managing director of Cameron who is running a management buy-out bid, yesterday said: "We have always understood that the deal with Allied would take place. It is part of the process that will allow Brent Walker to sell the brewery."

Vaux, the Sunderland-based brewery, has also shown an interest in acquiring the brewery which supplies 15 per cent of own-label beer to the take-home trade.

By Richard Gourlay

profits for the current year were likely to be less than it indicated at the time of its interim results.

At that time, Mr Read said full year pre-tax profits would be "less than half" the £29.4m achieved in 1990. First half profits fell from £10.4m to £1.9m.

Lep's share price fell 3p to 14p yesterday.

Advisers to Lep said the board changes would not affect the sale of National Guardian.

the US security systems business. Discussions were continuing with a number of parties.

Bankers who refinanced the group's £470m debt in September were continuing to support the group, Mr Grant said.

Shareholders are likely to have to wait until next April, when the annual results are announced, before learning how much Mr Read will be paid for taking early retirement.

By Andrew Bolger

Mr Peter Usher, chairman, was concerned by proposals being considered by the EC Commissioners to incorporate defence spending into the enlarged market. "It will be essential that arrangements to ensure fair competition are in place beforehand," he said.

Vosper expects total non-defence order input this year will be more than double last year's, but such work still only accounts for about 10 per cent of group turnover.

Earnings per share rose from 12.5p to 15.5p and the interim dividend is lifted to 4.1p (3.5p).

By Peggy Hollinger

Most industry observers had expected a compromise involving the divestiture of only a proportion of the panels acquired through Dolphin. "I am absolutely amazed and delighted," said Mr Peter Brown, an opponent to the M&A deal, and managing director of Multimark, an outdoor poster contractor and consultant. He has provided evidence to the two most recent inquiries.

In 1987, the commission required M&A, the public services and delivery division, to eventually sold M&A to Havas, to dispose of 2,000 sites to reduce its share. It sold most of the sites to Dolphin.

But in subsequently buying Dolphin this April, M&A boosted its market share from 22

per cent to 33.8 per cent on 48-sheet or larger material. Some observers see the commission's decision as a reaction to the method by which M&A reacquired those sites.

It is believed that M&A paid £3.5m cash for Dolphin, but also took on about £32.5m debt and indirectly injected up to £2m cash in the company which was on the verge of liquidation.

Mr Santini said the commission's order would have no material effect on M&A.

**Monopolies and Mergers Commission report on the acquisition by Avenir Havaas Media of Brunton Curtis Outdoor Advertising: HMSO £10.70 net.*

GLOBAL GROUP shares fell 6p to a low of 9p following a warning of a further deterioration in activity since the interim announcement in October.

The company is now hoping to benefit from expansion into Europe by Marks and Spencer, to which Parkland attributes some 22 per cent of turnover, a big sales drive in the Middle East and recent rationalisation and reorganisation.

Capital Radio to make £2m provision

Capital Radio is to make a £2m provision in its accounts for the year to September 30 1991 after the collapse on November 19 of Century Communications, the sole national licensee for independent broadcasting in the Republic of Ireland.

In October 1990, Capital invested £1.8m in Century in the forms of loans. Under a consultancy agreement it was also responsible for the day-to-day running of the Irish broadcaster. The audience duly grew but trading conditions were difficult and Century's losses continued.

increase in depreciation and interest charges. In the half-year to August 30 pre-tax losses totalled £137m (£517,000) on turnover cut by 11 per cent to £24.6m. Second-half losses in

The interim dividend is cut by a third to 1p. Losses per share rose from 4.7p to 13.4p. The A shares fell by 2p to 89p.

Mr Paul Hanson, deputy chief executive, said: "The results are very disappointing but we are confident that the recovery will come in 1993. We are through the pain barrier."

Capital will take the provision below the line as an extraordinary charge.

Scantronic drops 45% to £1.1m

Scantronic Holdings, the alarms and signalling equipment group, reported a sharp downturn in profits for the six months to end-September.

Pre-tax, there was a fall of 45 per cent from £2.02m to £1.11m.

on turnover down from £2 to £16.8m.

Northern Bank, the subsidiary of National Irish Bank, reported a dip in tax profit for the year ended September 30 despite paying £1.5m to depositor pr

Profit came to £259.3m, after provision significantly increased to £5.84m (£2.2m). Sir Desmond Lorimer, chairman, said the profit represented a post-tax return on equity of 20.5 per cent. Influential factors were the income ratio maintained at 58 per cent, personal loan income increased by 55 per cent and mortgage lending almost 20 per cent.

Perkins Foods is Anchor Seafoods for a maximum of £5.1m. The initial consideration is £3.3m satisfying the issue of 637,000 ordinary shares.

Anchor was established in 1984 by Mr Norman Young and Mr Edwin Young following the merger of their original company, Young's Seafoods, with Ross Foods.

Anchor's pre-tax profit for the year to April 30 is £792,000 and assets at the end of the period were £2.1m.

An extraordinary dividend will be held to approve issue of the preference shares which will be convertible at 6-for-1 basis.

NFC has acquired the
and goodwill of Bullen
£3.9m cash.
Bullens is an office and

Strict control on overheads continued operating efficiencies in its factories enabled Shani Group to slightly increase pre-tax profit de-

reduced turnover. In the year to July 31, USM-traded clothing menswear saw sales fall to £13m (£14.5m) but profit rise to £1.1m (£1.99m). Earnings per share were almost maintained at 8.5p and the proposed final dividend is 2.4p for an unchanged total of 4p. Mr Martin Hollis, chairman, said the cash position remained strong at \$4.96m.

Stratagem Group, the investment company which earlier this year took over the Tricore computer services concern, yesterday reported profits of £1.3m pre-tax for the year August 31.

The outcome showed a significant decrease on last time's \$11 million, which included a "substantial contribution" from the sale of the group's investment in Onnada Development Capital.

Firstpoint, the core of the stone business, had turned round and was improving its contract base. Of smaller operations, one had been sold and sales of the remainder were nearing completion, directors said.

After a nil tax charge on dividends per share worked through at 22p (22.9p) and the share distribution for the year lifted from 4p to 4.5p.

[illegible]

CONTRACTS & TENDERS

JOSEPH ROWNTREE FOUNDATION

Tenders are shortly to be invited for supply throughout the UK and Northern Ireland of white products. 1990 contract value £3m.

Suppliers interested in submitting a tender should submit details of their organisation and distribution network to:

**Mr J. C. Dennis, Joseph Rowntree Foundation,
The Homestead, 40 Water End, York YO3 6LP.**

LEGAL NOTICES

DISPLAY MARKETING (UK) LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING OF THE CREDITORS of the above named company will be held at the Grand Hotel, Granby Street, Leicester on 20 November 1991 at 10.00 am, for the purpose of hearing the report prepared by the Joint Administrative Receivers and if thought fit, appoint a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill authoritatively to the company as a security held by him (unless the other person is subject to bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must deposit a written statement of claim with us at Court Duty, Abbeys House, 32 Frier Lane, Leicester LE1 5RA no later than noon on 28 November 1991. Failure to do so is intended to be treated, unless so indicated with us by that time.

DATED this 15th day of November 1991

PLANT PHONON (UK) LIMITED JOINT ADMINISTRATIVE RECEIVERS APPOINTED 7 SEPTEMBER 1991

NOTICE IS HEREBY GIVEN, pursuant to Sections 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named Company will be held at Shetley House, 3 Grosvenor Gardens, London SW1X 7DD on 4 December 1991 at 10.00 pm for the purpose of receiving the report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ('the creditors conference') to administer the liquidation conferred on it by or under the Insolvency Act 1986. Provided to be attended at the meeting must be lodged, together with any claim in its behalf by the creditor at the offices of the Joint Administrative Receivers, 11 D B Road and C J Hughes no later than 12 noon on Tuesday 3 December 1991.

NOTICE, TO HEREBY GIVEN, that creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

I D B Bond
Joint Administrative Receiver

Dated 18 November 1991

CLUBS

EVE has unveiled offers due to policy of fair play and value for money. Supplier from 10-11pm. Glamorous, sparkling drinks category. 186 Regent St., W1P 0TA 79A GGGT

Directors of the USM-quoted group said yesterday that pre-tax profits for the year to December 31 would not be significantly greater than £2m compared with £5m for 1990. Consideration of a proposal to demerge the food division into a separate public company had also ceased.

The division continued to perform strongly but lower levels of activity in the shipping services division were adversely affecting profitability.

Following the resignation of Mr Robert Evans, the new group chief executive is Mr Bobby Mollinson. Mr John McGorry has also resigned from the board.

Losses increase at Parkland Textile

Parkland Textile (Holdings), the Yorkshire-based woollens group, yesterday announced increased interim losses and warned that it was unlikely to be back in the black by the end of the second half.

The family-controlled group's results were hit by reduced turnover and a sharp increase in depreciation and interest charges. In the half-year to December 31, pre-tax losses totalled £13.7m (5517,000 on turnover cut by 11 per cent to £24.6m. Second-half losses in 1990-91 amounted to £23.06m.

The interim dividend is cut by a third to 1p. Losses per share rose from 4.7p to 13.4p. The A shares fell by 2p to 58p.

Mr Paul Hanson, deputy chief executive, said "The results are disappointing but we are confident that the recovery will come in 1992." "We are through the pain barrier."

recorded losses. The company is now hoping to benefit from expansion into Europe by Marks and Spencer, which Parkland attributes some 22 per cent of turnover, a big sales drive in the Middle East and recent rationalisation and reorganisation.

Capital Radio to make £2m provision

Capital Radio is to make a £2m provision in its accounts for losses by Marks and Spencer after the collapse on November 19 of Century Communications, the sole national licensee for independent broadcasting in the Republic of Ireland.

In October 1990, Capital invested £1.8m in Century in the forms of loans. Under a consultancy agreement it was also responsible for the day-to-day running for the Irish broadcaster. The audience duly grew but trading conditions were difficult and Century's losses continued.

Further refinancing by Capital was negotiated, but certain of the preconditions were not met by the due date, thereby annulling the cash injection. Directors of Century intend to seek a liquidator and a winding-up order.

Capital will take the provision below the line as an extraordinary charge.

Scantronic drops 45% to £1.1m

Scantronic Holdings, the alarms and signalling equipment group, reported a sharp drop in profits for the six months to end-September.

Pre-tax, there was a fall of 45 per cent from £2.02m to £1.1m.

**Forward Grp halves
to \$203,000 midw**

Forward Group, which principally makes printed circuit boards, saw pre-tax profit halve in the sixth quarter of 1981, but is holding interest dividend at 5%.

Mr Ray Chamberlain, chairman, said it was a "credible performance" in the context of the depressing economic climate and the performance of other companies.

Turnover fell to £42.5m (£5.1m) and profit came to £203,000 (\$405,000) after interest charges of £70,000 (£19,000). Earnings were 1.9p (3.6p).

**Land sale gives
boost to John Foster**

Only a profit on the sale of land enabled John Foster & Co, the specialist tree removal group, to reduce its losses to £291,000 in the first half of 1981.

Further progress was made in production rationalisation, cost base of the business has been significantly reduced and manufacturing efficiency improved, said Mr Victor Foster, chairman. The tendering of contracts for high volume work by certain customers had a severe impact.

Turnover fell to £11.2m (£12.8m) while operating losses rose to £219,000 (\$284,000). Profit on sale of land for further development was £102,000 (less the pre-tax loss at £22,000). Net losses per share were 12.5p (10.5p).

After taking account of exceptional profit, the business was still hoping for a strong pre-tax profit for the year, Mr Foster said.

Perkins Foods Is Anchor Seafoods

Perkins Foods is Anchor Seafoods for a minimum of £5.1m. The initial consideration is £3.3m, sat on the issue of 63,700 ordinary shares and 6.6m D-Max convertible preference shares further prior related payments but the total value of the convertible preference shares.

Anchor was established in 1984 by Mr Norman Young, Mr Edwin Young following merger of their original company, Young's Seafoods and Ross Foods.

Anchor's pre-tax profit for the year to April 30, 1985 was £795,000 and assets at the end of the period were £2.1m.

An extraordinary dividend will be held to approve the issue of the preference shares which will be convertible into 6-for-1 basis.

NFC pays nearly £3m for Bullsens

NFC has acquired the and goodwill of Bullsens for £3.9m cash.

Bullsens is an office ar-

Strict cost control puts Shani ahead

Strict control on overheads continued operating efficiencies in its factories enabled Shani Group to slightly increase gross profit margin, reduced turnover.

In the year to July 31 USM-faced clothing hit sales saw fall to £13m (£14.2m) but profit rose to £1.1m (£1.5m).

Operating profit per share almost maintained at 8.9p and the proposed final dividend is 2.4p for an unchanged total of 4p.

Mr Martin Hollis, chairman said the cash position remained strong at \$4.85m.

Stratagem shows modest decline

Stratagem Group, the investment company which set this year took over the Trystone computer services centre, yesterday reported pre-tax profit for the year August 31.

The outcome showed a slight decrease on last time's £1.1m contribution a "substantial contribution" to the group's investment in Onnada Development Capital.

Firstpoint, the core Trystone business, had turned round and was improving its contract base. Of smaller operations, one been sold and sales of remainder were nearing completion, directors said.

Share price rose 10p to 45p on the stock exchange as share prices for shares at 22p (22.9p) and the distribution for the year lifted from 4p to 4.5p.

COMMODITIES AND AGRICULTURE

London coffee prices reach 6-month highs

By David Blackwell

ROBUSTA COFFEE prices closed at the highest levels for six months on the London Futures and Options Exchange (F&O) yesterday on continuing concern about a shortage of quality supplies for immediate delivery.

The January contract rose by £11 a tonne to close at \$607 a tonne.

The shortage of supplies is seasonal. Last autumn sees heavy demand from roasters just when producers are in between crops. The situation has been exacerbated this autumn by dry weather in Indonesia, shipment delays from the Ivory Coast and a large shipment of robusta from the UK to the US.

According to E.D. & F. Man, the London trade house, robusta exports from countries of origin "are likely to fall well short of usage in the first six months of the 1992 coffee year. We estimate that shipments will be some 1.5m bags less than demand".

This should result in a significant drawdown in consumer stocks of robusta. Man predicts in its latest coffee market report. This will underpin the tightness in the London market.

However, analysts are uncertain as to how long the price run will continue. Last night the January contract was at a premium of £16 a tonne to the March contract.

Some believe that the market will follow a similar course to last year's, when the January position reached a premium of £50 a tonne to March before the arrival of late shipments from the Ivory Coast wiped it out.

However, one dealer said yesterday that the move above \$600 had left charts looking bullish in a technical market. In addition, he suggested, continued dry weather in Brazil, which has kept the New York arabica market steady, which has a spill-over effect on London.

Pakistan improves oil exploration incentives

By Farhan Bokhari in Islamabad

THE PAKISTANI government yesterday announced a new petroleum policy that gives fresh incentives to oil exploration and production in the country. "We have to attract foreign investment, we have to provide them the environment in which they can come and invest in Pakistan," said the Petroleum Minister, Mr. Nisar Ali Khan after announcing the policy.

Under the new measures, applications from companies seeking licences for exploration will be decided within a three-month period, while decisions on cases involving disputes will not be held up for more than 6 months. New investors will also be allowed to set up oil refineries without requiring the government's permission.

In the past, prospective investors have complained that complicated bureaucratic structures sometimes held them up for up to three years. The government also committed itself to meeting all the foreign exchange requirements of exploration companies, who are paid for their share of oil and gas in local currency.

Mr. Khan said that the new measures were meant to attract new investors in order to increase the number of oil wells that are drilled in Pakistan annually. During the 43

years that Pakistan has been independent only 250 wells have been drilled, he added. He compared this with countries such as Canada where 3,000 wells were drilled each year and the US with an annual 8,000 wells. But Mr. Khan said that there was good potential for new exploration as one out of every three drilled wells had been successful.

However, in response to questions the government would provide protection to oil companies, Mr. Khan said that a special force would be set up by the government to protect oil installations. This reassurance came in the background of security concerns shared by overseas oil company executives. A continuing problem of lawlessness in some parts of Pakistan has deterred some oil companies from expanding their operations, businessmen say.

Yesterday's announcement was also expected to attract foreign and Pakistani prospective investors who are due to arrive here tonight to attend a national petroleum seminar due to begin tomorrow. Prime Minister Mr. Nawaz Sharif, who will perform the opening ceremony, is expected to tell delegates that his government will continue to encourage new investors in the petroleum industry from the private sector.

UK 'green' farming scheme extended

By David Blackwell

THE LAKE District and Dartmoor have been designated "environmentally sensitive areas," or ESAs, the schemes under which the UK Agriculture Ministry rewards farmers for taking conservation measures.

Mr. John Gummer, the minister of agriculture, yesterday named 12 new areas in England to join the 10 schemes launched five years ago to protect areas like the Norfolk Broads. The extension will more than treble the amount of land under the English schemes to over 1m hectares.

Finance for the schemes, announced earlier in this month's autumn statement, is to rise to \$64.5m in 1994-95 from this year's £13m.

ESAs have been at the heart of the debate over "green" farming. Mr. Gummer said the schemes were a British invention that was being taken up all over Europe. The idea was to ensure the survival of the agriculture base that had created the landscape in the first place.

Administration costs take up about 25 per cent of the budget, Mr. Gummer said. But he stressed that administration

Existing and proposed ESAs in England



LONDON STOCK EXCHANGE

Equity rally loses steam at the close

By Terry Byland, UK Stock Market Editor

A MORE encouraging performance from Wall Street overnight inspired a technical rally in the UK stock market yesterday. Also helping to restore London's shaken confidence were a number of corporate developments, including a \$350m deal in the dairy industry and acceptable trading figures from Whitbread, the brewer, and from Courtalds.

Early gains were cut back towards the close, however, when a strong opening on the Dow was trimmed to show a gain of only 6 points in UK hours. Hints that a large rights issue was pending were, however, not widely believed on the trading desks.

Interest rate nervousness remained unsettling ahead of today's meeting of the Bundesbank policy council. A steadier

Maxwell interest in Mirror Group Newspapers is likely to be sold off encouraged the shares to advance 12 to 126p.

C and W alert

The market was buzzing late in the session with stories that Cable and Wireless, the telecommunications group, may announce a \$500m-plus rights issue today. However, observers were sceptical and pointed to C and W's high gearing of around 38 per cent.

The cash-call rumours, which first emerged on Tuesday, built up strongly yesterday and brought another steep decline in the share price. The stock dropped 22 to 512p, having retreated 20 on Tuesday. Turnover came out at 3.8m, after the previous day's 4.6m.

Dealers said the fund-raising speculation has been encouraged by news that C and W is participating in a consortium granted a telecoms licence in Australia.

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FINANCIAL TIMES STOCK INDICES											
	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10
Government Secs	86.72	86.72	86.83	86.90	86.98	87.00	87.01	87.02	87.03	87.04	87.05
Fixed Interest	96.30	96.40	96.48	96.54	96.57	96.58	96.59	96.60	96.61	96.62	96.63
Ordinary Share	1890.2	1867.8	1914.9	1948.8	1963.3	1978.0	2108.3	1906.3	2108.3	2108.3	2108.3
Gold Mines	156.5	153.2	151.9	149.8	149.7	155.2	222.8	127.0	734.7	43.5	43.5
FT-SE 100 Share	2472.6	2463.1	2502.9	2546.6	2561.6	2126.3	2576.6	2574.8	2574.8	2574.8	2574.8
FT-SE Euroshare	1124.021	1122.47	1124.49	1124.49	1124.49	1124.49	1124.49	1124.49	1124.49	1124.49	1124.49
Ord. Div. Yield	5.16	5.18	5.11	5.03	4.99	5.78	5.78	5.78	5.78	5.78	5.78
Earning Yld (%)	7.40	7.43	7.25	7.22	7.17	12.06	17.05	12.06	12.06	12.06	12.06
Div. Payout (%)	77.02	77.02	77.02	77.02	77.02	77.02	77.02	77.02	77.02	77.02	77.02
SEAG Bargain 4.45pm	25.821	25.855	25.863	24.917	25.430	24.126	25.855	25.855	25.855	25.855	25.855
Equity Turnover (m)	1031.18	1122.13	1122.13	1122.13	1122.13	1122.13	1122.13	1122.13	1122.13	1122.13	1122.13
Equity Bargainist	25.835	25.835	24.917	24.917	24.917	24.917	24.917	24.917	24.917	24.917	24.917
Shares Traded (m)	368.8	401.1	364.8	403.5	378.1						

Foods deals welcomed

A SHARP markdown by marketmakers of the Northern Foods share price after the Hull-based food group announced a \$227m rights issue, to fund acquisitions from Grand Metropolitan, was reversed after the market digested the implications of the deal.

The rights, a one-for-four at a deeply discounted 415p, will help fund Northern's purchase of Express Dairy and Eden Vale.

The rights offer news had been met after Northern confirmed two weeks ago that it was involved in negotiations with GrandMet and would issue shares to finance the purchase.

Northern shares opened sharply lower at 450p, but embarked on a strong rebound which left the stock a net 29 higher at 526p by the close. Specialists were favourably impressed by the terms of the rights issue, by the keen price paid for the acquisitions and by Northern's interim figures.

Dealers expect no problems for Northern's brokers in getting the rights issue away at what was described as a generous discount. GrandMet shares were marginally higher at 277p; analysts said the deal lowered the group's gearing by 10 points to around 70 per cent.

Slide in MCC

Increasing worries over the financial health of the Communication Corporation (MCC) pushed the shares sharply lower to close a net 10 off at 38p on turnover of 6.5m.

It was the heaviest percentage fall in the Footsie and came on the back of a 14p drop on Tuesday. The shares now have the dubious honour of being the lowest priced among the top 100 stocks.

Mr Neil Blackley of the leading agency broker James Capel said: "There is just too much uncertainty about the company's future. There is just too much uncertainty about the company's future. There is just too much uncertainty about the company's future."

Uncertainties undermining the share price include talk that key Maxwell bankers are seeking repayments, freeze on loans to private firms controlled by the Maxwell family. Credit rating agency IBCA on Tuesday put the firm's debt on watch for a possible downgrading.

A growing belief that the

FT-A All-Share Index

Equity Shares Traded

FT-SE 100 Share

FT-A All-Share Index

The FT-A All-Share Index, which tracks the performance of all shares listed on the London Stock Exchange, closed at 1100.8 on Thursday. The index had a volatile session, with a peak of 1124.49 in the afternoon followed by a sharp decline to 1080.3 by the close.

Equity Shares Traded

The volume of equity shares traded on the London Stock Exchange was 3.8 million on Thursday, down from 4.6 million on Wednesday. The volume of trading was relatively low, reflecting the market's uncertainty over the future of several major companies.

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TRADING VOLUME IN MAJOR STOCKS											
Stock	Volume	Price	Day's Change	Volume	Price	Day's Change	Volume	Price	Day's Change	Volume	Price
AAV	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
ABR	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
ABT	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
ABX	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
ABY	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
ABZ	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
AB1	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
AB2	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
AB3	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
AB4	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00

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EQUITY FUTURES AND OPTIONS TRADING											
Contract	Volume	Price	Day's Change	Volume	Price	Day's Change	Volume	Price	Day's Change	Volume	Price
FT-SE 100	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
FT-SE 100	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
FT-SE 100	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
FT-SE 100	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00
FT-SE 100	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00

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The FT-SE 100 Share index, which tracks the performance of the 100 largest companies listed on the London Stock Exchange, closed at 2126.3 on Thursday. The index had a volatile session, with a peak of 2561.6 in the afternoon followed by a sharp decline to 2126.3 by the close.

LONDON SHARE SERVICE											
Stock	Price	Day's Change	Volume	Price	Day's Change	Volume	Price	Day's Change	Volume	Price	Day's Change
AAV	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01
ABR	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01
ABT	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01
ABX	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01
ABY	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01	100	1.00	+0.01

FT-A All-Share Index

The FT-A All-Share Index, which tracks the performance of all shares listed on the London Stock Exchange, closed at 1100.8 on Thursday. The index had a volatile session, with a peak of 1124.49 in the afternoon followed by a sharp decline to 1080.3 by the close.

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No	96	4.75	1.75	0.50	0.50	0.50	0.50
No	23						
5p.							

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar bows to a firmer Dow

The markets were strangely quiet yesterday, holding fire before today's Bundesbank meeting.

The dollar continued to track the Dow Average, which was slightly firmer than in recent days.

In New York, the US currency fell as low as DM1.885, although it had recovered to DM1.895/100 by mid-day. Support seemed to be strong at the DM1.89 level in Europe, having been tested at least three times, dealers said. The dollar closed in London at DM1.895.

Although the D-Mark continued to firm within the EMS, traders seemed to feel that the possibility of an immediate rise in German interest rates was fading fast.

Dr Mark Austin, treasury economist with Hongkong Bank, said the German central bank could well face technical difficulties at that second meeting. "The Bundesbank will have to decide what to do with the one-month repo rates. If they do not do something, the one-month could well go higher than the Lombard and the bank might have to increase rates."

£ IN NEW YORK

	Nov 20	Nov 19	Nov 18
Spot	1.7770-1.7780	1.7790-1.7800	1.7800-1.7810
1 month	0.97-0.98	0.97-0.98	0.97-0.98
3 months	0.97-0.98	0.97-0.98	0.97-0.98
6 months	0.97-0.98	0.97-0.98	0.97-0.98
12 months	0.97-0.98	0.97-0.98	0.97-0.98

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	Nov 20	Nov 19	Nov 18
8.30 am	91.2	91.3	91.3
9.00 am	91.2	91.3	91.3
9.30 am	91.2	91.3	91.3
10.00 am	91.2	91.3	91.3
10.30 am	91.2	91.3	91.3
11.00 am	91.2	91.3	91.3
11.30 am	91.2	91.3	91.3
12.00 pm	91.2	91.3	91.3
12.30 pm	91.2	91.3	91.3
1.00 pm	91.2	91.3	91.3
1.30 pm	91.2	91.3	91.3
2.00 pm	91.2	91.3	91.3
2.30 pm	91.2	91.3	91.3
3.00 pm	91.2	91.3	91.3
3.30 pm	91.2	91.3	91.3
4.00 pm	91.2	91.3	91.3

CURRENCY MOVEMENTS

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

CURRENCY RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

OTHER CURRENCIES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

EURO CURRENCY INTEREST RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

EXCHANGE CROSS RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

FT LONDON INTERBANK FIXING

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

MONEY MARKETS

UK rates 'stable'

UK MONEY market rates were unchanged by the weakness of sterling on the foreign exchange markets yesterday, where the UK currency fell below DM2.87 for the first time since joining the European exchange rate mechanism a year ago.

"The next move in interest rates, whether it is up or down, is some way ahead yet," commented one dealer.

The December short sterling contract on the London International Financial Futures Exchange traded up to 88.54 by late afternoon, from an early 88.51, implying year-end interest rates of 10.14.

This led financial institutions to fund through Lombard borrowings and offered the Bundesbank a pretext to raise the Lombard rate, on the grounds that its emergency funding rate was no longer functioning as such.

However, this week there have been no signs of a liquidity squeeze. Tuesday's repurchase pact resulted in a net DM3.5bn injection of funds. Short money rates remained stubbornly at 9.00/9.05 per cent, comfortably below the 9.5 per cent Lombard rate.

In the US, Fed funds traded at around 4 1/4 per cent, below the Federal Reserve's perceived target interest rate of 4 1/2 per cent.

per cent. The Bank of England made an early forecast for a liquidity shortage of \$600m, but this was later reduced to \$50m.

Early assistance totalled just \$9m, restricted to purchases of band 1 and band 2 bank bills. During the early afternoon a further \$250m bank and treasury bills were bought. Late assistance of \$75m brought the total liquidity injection for the day to \$325m - leaving a \$180m shortage on the day.

This pushed overnight

He added that the D-Mark would also continue to be a bid ahead of the Maastricht summit. Speculation about a realignment of the German currency during the meeting had been given some credence by the French move this week to raise intervention rates. "It is a signal that the rest of Europe cannot live with exchange rates and German rates where they are at the moment," said Dr Austin.

The public holiday in Germany meant trading was thinner than usual in the D-Mark - although there appeared to be some profit-taking, dealers said.

Sterling continued to languish at the bottom of the EMS grid. Worse-than-expected M4 bank and building society lending figures in the UK deepened pessimism about sterling. Most traders were now convinced that there had been little upturn in the UK economy, as

previously claimed by politicians.

"There is no immediate pick up in sight for the pound," said Mr Michael Feeny of Sumitomo Bank.

Sterling dipped below DM2.87 during the day in London after opening at DM2.8750. By closing time, the pound was trading slightly higher at DM2.8775.

There was speculation that the Bank of Spain had been buying D-Marks for pesetas earlier in the week to support the pound within the EMS. Dealers and economists thought it likely that activity continued to have some effect.

The Bank of England's decision to leave a liquidity shortage in the market was also seen to have bolstered sterling somewhat. "The first line of defence on the pound is to squeeze the short money rate," said Dr Austin.

EMS EUROPEAN CURRENCY UNIT RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

POUND SPOT - FORWARD AGAINST THE POUND

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

EURO CURRENCY INTEREST RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

EXCHANGE CROSS RATES

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3
Yen	91.2	91.3	91.3

FT LONDON INTERBANK FIXING

	Nov 20	Nov 19	Nov 18
Sterling	91.2	91.3	91.3
US dollar	91.2	91.3	91.3
Japanese yen	91.2	91.3	91.3
Swiss franc	91.2	91.3	91.3
French franc	91.2	91.3	91.3
Italian lira	91.2	91.3	91.3
Spanish peseta	91.2	91.3	91.3
Portuguese escudo	91.2	91.3	91.3
Belgian franc	91.2	91.3	91.3
Dutch guilder	91.2	91.3	91.3
German mark	91.2	91.3	91.3
Austrian schilling	91.2	91.3	91.3
Swedish krona	91.2	91.3	91.3
Norwegian krone	91.2	91.3	91.3
Finland mark	91.2	91.3	91.3

FRANCE (continued)									
November 28	Yes	+	-	+	-	+	-	+	-
Air France	2,490	0.00							
Air Inter	2,490	0.00							
Air Liberte	2,490	0.00							
Air Nord	2,490	0.00							
Air Paris	2,490	0.00							
Air Trans	2,490	0.00							
Air Union	2,490	0.00							
Airbus	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							
Airbus Helicopters	2,490	0.00							
Airbus Industrie	2,490	0.00							
Airbus Space	2,490	0.00							
Airbus Transport	2,490	0.00							

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET

3:00 pm prices November 20

[illegible]

3:00 pm prices November 20

[illegible]

FINANCIAL TIMES
EUROPEAN BUSINESS NEWSPAPER

FT SURVEYS

AMERICA

Dow turns tail after early rise on a little good news

Wall Street

AN AIR of normality returned to US stock markets yesterday, with share prices easing slightly in spite of a good housing report and a strong performance from Merck, writes Patrick Harrington in New York.

By 1 pm the Dow Jones Industrial Average was down 4.89 at 2,925.38, well below its high for the morning when the index had been over 20 points higher. The more broadly based Standard & Poor's 500 was also easier at mid-session, down 1.55 at 377.87 at 1 pm, while the Nasdaq composite of over-the-counter stocks gained 1.50 at 524.97. After three days of exceptionally heavy turnover, trading volume returned to more normal levels, and by 1 pm, 119m shares had changed hands on the NYSE.

After Tuesday's declines, the market opened firmer on news of a 7.3 per cent rise in October housing starts. Within an hour and a half the Dow had risen past 2,950, before investors realised that the market was not as strong as it seemed. Prices soon turned tail, and by early afternoon had dipped into negative territory.

Early in the session strength

in Merck, the country's biggest drug group, had helped boost the Dow. After a delayed opening due to order imbalances, Merck rose 5% to \$144 in turnover of 1m shares on reports that tests have showed that the company's Lovastatin drug for treating high cholesterol can shrink fatty deposits in coronary arteries. Analysts have already outlined the positive implications for Merck if the drug proves as effective as hoped.

Bristol-Myers Squibb, which has its own cholesterol-lowering drug, Pravastatin, which was recently approved by the Food and Drug Administration, was also buoyed up by the testing reports, rising 1% to \$82.4 in 1.1m shares.

Colgate-Palmolive was the market's most actively traded stock yesterday, rising 1% to \$49.10 in turnover of 2.3m after the company's issue of 10m new common shares was priced at \$40 a share.

CSX resumed trading after Tuesday's suspension on news of a serious rail crash in Kentucky involving one of the company's freight trains. On its return in mid-morning the stock climbed 1% to \$51.75, boosted by comments from CSX officials that the cost of cleaning up the accident would not materially affect the com-

pany's financial results. Herhey Foods slipped 2% to \$38 after Goldman Sachs, the brokerage house, removed the pasta and sweets manufacturer from its list of recommended stocks and cut its earnings estimates for next year, saying that the company will increase marketing expenditure to halt a slide in its market share.

Autodesk slumped 5% to \$33.34 in the wake of disappointing third quarter earnings of 65 cents a share, which were above year-ago results but below market estimates. General Technologies jumped 1% to \$10.40 after the company received a patent for its diagnostic reagents, which are designed for use in detecting a human retrovirus.

Canada

TORONTO stocks were mixed at midday. A drop in the Canadian dollar raised fears that the trend towards lower interest rates might be put on hold. The TSE composite index eased 7.3 to 3,508.0. Advances led declines by 185 to 178 on volume of 14.6m shares.

Among active issues, Sheritt Gordon rose 1% to \$27.75, American Barrick fell 1% to \$28.25 and Horsham eased 1% to \$41.04.

Brussels takes election hurdle in its stride

Excitement has returned to the bourse, but it is not about politics, writes Andrew Hill

THERE is a general election in Belgium on Sunday. To outsiders it looks as though the Brussels bourse is bearing the political upheaval with remarkable equanimity.

"To be perfectly frank," says Mr Jeffrey Taylor at Dillon Read in London, "I would say that the stock market was completely and utterly ignoring the election campaign. If you landed from Mars tomorrow you wouldn't know from looking at the stock market that there was an election going on."

Since September, when the Bel20 weighted index of Belgium's largest stocks stood at 1,089, the market has risen only marginally, to close at 1,098.59 yesterday.

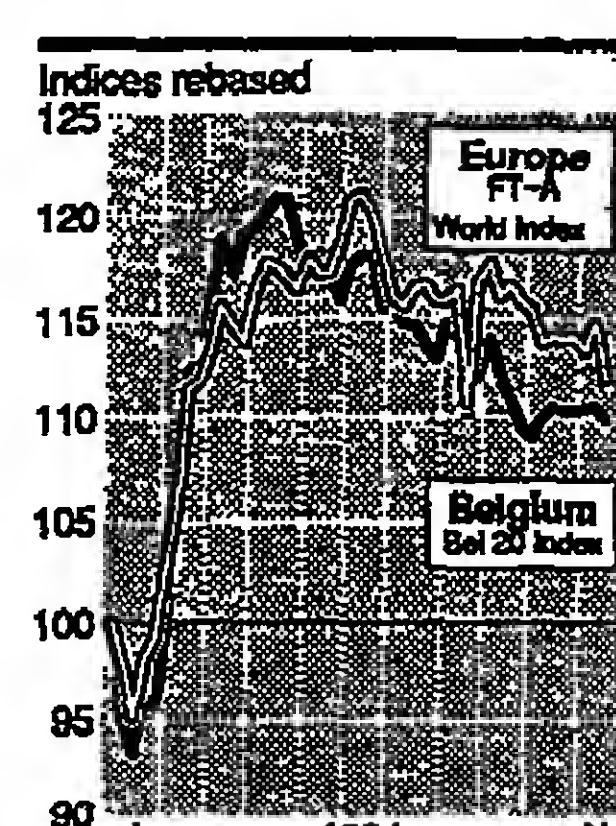
There are several reasons for the market's apparent nonchalance. Although last month's acrimonious collapse of the centre-left coalition looked spectacular, the aftermath has been relatively calm. The exchange has also been stuck

in the doldrums since the active first quarter of 1991 when the Bel20 peaked at more than 1,200.

At least in volume terms, the market now appears to be picking up again. According to County NatWest, October's turnover of BF37.16bn was 21 per cent up on September's equivalent - the strongest recovery of any European bourse over the month and the best four-week trading period since June.

The mini-boom is not over. Figures from Petercam, the Brussels broker, show that in the first nine trading days of November daily turnover broke the BF10bn mark four times; in the three previous months, daily volume had crossed that threshold on only six instances and had occasionally slipped below BF500m.

Interest in the Belgian market was certainly excited by the full-scale bid for Wagons-Lits, the Franco-Belgian travel company, last week, but the French hotels group



Accor, in collaboration with Société Générale de Belgique.

The excitement has been sustained in the last fortnight by a school of court cases from minority shareholders, who want the bidders to reveal more information, and claim that the bid price should be increased. Success in the courts would doubtless encourage other investors into a mar-

ket which is still dominated by large players, in spite of recent reforms to encourage more transparency.

At the same time, the Belgian economy seems to be stabilising and the caretaker government managed to push through legislation before the parliament's dissolution, removing the burden of a capital gains tax from institutional investors such as insurance companies.

A further increase in German interest rates could hurt the market but, according to analysts, the possibility is already in share prices. "What you have got in the meantime," says one, "is partly a reaction to the fact that Belgium has been lagging behind [Europe] for most of the year; it was due for a bit of a technical rise."

The question, as always with the Belgian market, is whether such a rally can be sustained, given that the cyclical companies which dominate the Brussels bourse have not yet

emerged from the downturn. As for the election itself, public discontent with the squabbling between francophone and Flemish government ministers has been reflected in opinion polls which show a drop in support for the parties of the old coalition.

Brokers believe, however, that the result will have little effect on the performance of the market, even if Mr Wilfried Martens, the long-serving prime minister, is not asked to lead a new coalition.

The limbo of the election campaign will be followed by negotiations to form a new government, which can take more than 100 days. Recent academic research indicates that the Brussels bourse tends to rise sharply after an election, whatever the outcome. Unsurprisingly, a swing to the right is greeted with relief, that a swing to the left, that the stock market always welcomes stability, whoever is in charge.

Tax reform hopes lift Turkey

By John Murray Brown in Ankara

TURKISH equities reacted strongly to the formation of a new coalition government yesterday, and continued to rise on the prospect of tax reform and lower interest rates.

The Istanbul stock exchange index ended 134 points or 4 per cent up at 3,445. Brokers expect an early introduction of a new tax on government bonds, which account for 30 per cent of assets held by banks and institutions, one reason for the shallowness of the Turkish stock market.

The market has climbed more than 30 per cent in the past 10 days, following last month's election when no single party won an outright majority. There was, however, some bad news for the stock market yesterday. The weekly treasury bill auction saw a dramatic increase in sales to TL2,500bn from 1,500bn the week before, indicating a rise in government spending.

ASIA PACIFIC

Nikkei continues to fall on arbitrage-unwinding

Tokyo

PRICE movements were dominated by index-related trading yesterday, and the Nikkei average closed lower for the sixth consecutive day on the unwinding of arbitrage positions, writes Emiko Terazono in Tokyo.

The 225-issue Nikkei index lost 127.00 at 23,199.86 after a day's low of 23,018.31 and a high of 23,334.87. The index initially lost ground on the unwinding of arbitrage positions, but the Nikkei regained strength in the afternoon on arbitrage-related buying, but slipped again as arbitrageurs and investment trusts remained sellers.

Volume rose to 300m shares from 260m. Traders noted heavy cross-trading - the selling and buying back of shares in order to realise profits - in bank stocks in the morning. Declines finally led rises by 742 to 235, with the Nikkei unchanged. The Topix index of all first section stocks shed 10.81 to 1,782.79 but, in London, the ISE/Nikkei 50 index improved 4.92 to 1,321.11.

Buy orders around the Nikkei 23,000 level supported the market. A trader at Dai-ichi Mutual Life Insurance said they were hunting for bargains in blue chips. He added that Hitachi, the electronics company, was now seen by institutional investors as a benchmark for leading blue chip companies. The issue ended Y5 off at a 1991 low of Y915.

Other high-technology issues were also weak. TDK receded Y90 to Y4,730 on a projection of a 10 per cent decline in pre-tax profits for the current year. Sony fell Y90, moving to its low for the year of Y4,710.

Individual investors and dealers focused on short-term trading of bio-technology related shares as reports that Yakult Honsha, a beverage company, had developed a drug for lung cancer triggered

activity. Meiji Milk Products, the most active issue of the day, surged Y100 to Y1,220.

Nippon Steel climbed Y19 to Y395 in active trading, investors being encouraged by reports that some institutions were buying shares in holdings in leading steel issues.

Construction shares were weak on poor profit projections for the year to March. Hazama Corp retreated Y12 to Y800 on a forecast of a 27 per cent fall in pre-tax profits for the current year. Obayashi relinquished Y25 to Y873 and Kumagai Gumi Y13 to Y780.

Nippon Telegraph and Telephone fell Y8,000 to Y773,000. The Tokyo Stock Exchange recently expressed a negative view on the release of NTT shares held by the government due to the current slack demand. NTT was previously popular on speculation that the government would release its holdings next year, and that the ban on foreign ownership would be lifted.

In Osaka, the OSE average dipped 148.65 to 25,196.85 on volume of 48.1m shares. Light selling depressed high-technology stocks and public works-related issues.

Roundup

WALL STREET influenced most of the more active markets in the region yesterday.

HONG KONG followed the US lead in modest trading, the Hang Seng index falling 60.29 to 4,200.94, erasing virtually all of Tuesday's 63-point rebound, in turnover down from HK\$2.01bn to HK\$1.56bn.

Banks suffered the heaviest setback, followed by utilities. Property, commercial and industrial stocks also showed sharp, although less marked, declines.

AUSTRALIA also took its cue from overseas markets, the All Ordinaries index losing 24.3 or 1.5 per cent to 1,632.5, with only the golds sub-sector show-

ing a modest rise on the day. Turnover increased slightly from A\$256m to A\$265m.

ANZ Banking reported a 21 per cent rise in net profits, better than expected, and moved up 2 cents to A\$4.18. Westpac Banking and National Australia Bank, both announcing results today, slipped 11 cents to A\$4.77 and 10 cents to A\$7.85 respectively.

NEW ZEALAND fell 1.8 per cent, the NZSE-40 index finishing 26.11 lower at 1,489.48, after a fall of 2.7 per cent on Monday and Tuesday's 0.7 per cent recovery. Turnover was heavy, rising from NZ\$22.5m to NZ\$25.6m, blue chips leading both the level of declines and the active stocks list.

SEOUL finally produced a technical response to its recent run of falls, the composite index rallying 12.12 to 668.13 after eight consecutive declining sessions, and turnover improving from Won157.6bn to Won167.3bn.

Financial shares advanced 3 per cent on average, with securities houses up 4.6 per cent following a recent tumble on analysts' reports that some of them are likely to lose first section status on the stock market.

Key indices in SINGAPORE and KUALA LUMPUR fell towards expected support levels but, as Japanese stocks found a few friends, bargain hunting emerged to leave share prices little changed on the day. The Straits Times Industrial Index picked up 2.30 to 1,443.15 and the KLSE composite by 0.08 to 535.73.

MANILA's composite index closed 7.82 down at 1,094.49, with oil shares registering the day's biggest declines. TAIWAN saw its weighted index ease 2.23 to 4,478.71, after a surge of 60.25 the previous day.

KARACHI slipped back following its record-breaking upsurge, the KSE index closing 73 lower at 2,789.

EUROPE

Nordic bourses back in the picture

WITH Germany closed for a holiday, and France out of step with itself, Scandinavian bourses came back into the picture yesterday, writes Our Markets Staff.

OSLO saw a further slide in banks but this was more than offset by strong performances from the industrial and shipping sectors. The all-share index rose 7.26 to 44.4, erasing some of its weakness since last Friday.

The bourse gave Norwegian banks a verbal lashing yesterday, saying that the highest of them, Den norske Bank (DnB), was riding a wave of speculation of its capital base last month; it also criticised and fined Christiania Bank, the second largest, for not giving true information on its loan losses in the first quarter of this year.

DnB shares plunged 9 per cent to Nkr5.70 against a high this year of Nkr148. The industry index, incorporating quality stocks in oils, chemicals and metals, rose 10.96 to 861.06 with Norsk Hydro Nkr7 higher at Nkr148.

The financial sector closed mixed to higher, with International Nederlanden advancing 50 cents to Fl47.20 while Aegon, due to release its third quarter results on Friday, declined 30 cents to Fl117.60. PARIS made a promising

FT-SE Eurotrack 100 - Nov 20

Hourly changes †							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1076.40	1076.18	1076.24	1075.80	1075.43	1076.52	1076.47	1076.00
Day's High			1077.89	Day's Low			1074.91
Nov 19	Nov 18	Nov 15	Nov 14	Nov 13	Nov 13	Nov 13	
1075.11	1084.16	1102.27	1108.78	1109.78	1104.80	1104.90	

Base value 1000 (20/10/90) (Paris)

activity on the bourse, and the trading initiative moving to the London market.

HELSINKI continued, belatedly this week, to face the facts about the sick Finnish economy, and the Helsinki index fell another 6.8 to 846.3.

AMSTERDAM had a quieter day, as KLM was unchanged at Fl39.40 after Tuesday's speculative rally. The CBS Tendency rose 0.3 to 90.3 in turnover of Fl50m.

The financial sector closed mixed to higher, with International Nederlanden advancing 50 cents to Fl47.20 while Aegon, due to release its third quarter results on Friday, declined 30 cents to Fl117.60. PARIS made a promising

start, the CAC 40 index rising as high as 1,782.70 in a futures-related rally. But there was a lack of follow-through buying and the index closed 1.60 lower at 1,763.49 in heavy turnover of FF7.4bn after FF7.9bn.

Dealers said there was some evidence of domestic selling but on the other hand, there was some bargain-hunting. Elf rose FF1.80 to FF7409.80 and Eurodisney gained FF72.50 to FF728.50.

MILAN made a belated reaction to the recent falls on Wall Street. The Comit index fell 1.92 to 512.53 in volume estimated at around Tuesday's 1,740m, as the ban on short-selling restricted activity. The Ferruzzi group contin-

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 19 1991										MONDAY NOVEMBER 18 1991										DOLLAR INDEX										
	Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	1991 High	1991 Low	Year ago (approx)						
Australia (69)		157.35	+0.9	129.86	129.10	131.10	132.50	+0.5	4.57	155.81	129.10	127.53	130.26	131.78	130.31	127.74	155.81	129.10	127.53	130.26	131.78	130.31	127.74	155.81	129.10	127.53	130.26	131.78	130.31	127.74	
Austria (107)		173.87	+1.1	143.49	142.86	144.88	144.73	+0.9	1.98	171.97	142.86	140.88	143.67	143.48	142.37	143.68	171.97	142.86	140.88	143.67	143.48	142.37	143.68	171.97	142.86	140.88	143.67	143.48	142.37	143.68	
Belgium (37)		137.05	+0.6	113.10	112.44	114.18	111.70	+0.5	3.30	136.16	112.44	111.57	113.77	111.15	111.20	118.04	136.16	112.44	111.57	113.77	111.15	111.20	118.04	136.16	112.44	111.57	113.77	111.15	111.20	118.04	
Canada (115)		140.32	-1.0	116.30	115.62	117.40	115.16	-0.9	3.23	142.26	115.62	114.81	116.37	114.86	116.21	124.49	142.26	115.62	114.81	116.37	114.86	116.21	124.49	142.26	115.62	114.81	116.37	114.86	116.21	124.49	
Denmark (37)		263.03	-0.1	217.07	215.82	219.14	222.70	-0.5	1.59	263.40	215.82	214.45	220.06	222.72	220.56	217.74	263.40	215.82	214.45	220.06	222.72	220.56	217.74	263.40	215.82	214.45	220.06	222.72	220.56	217.74	
Finland (15)		83.65	-0.7	69.04	68.64	69.70	76.50	+0.0	3.18	84.21	68.64	68.73	68.89	70.38	76.53	82.81	84.21	68.64	68.73	68.89	70.38	76.53	82.81	84.21	68.64	68.73	68.89	70.38	76.53	82.81	
France (109)		142.87	-1.7	117.74	117.05	118.08	122.48	-0.7	2.02	145.12	117.05	116.70	117.95	121.23	125.03	122.26	145.12	117.05	116.70	117.95	121.23	125.03	122.26	145.12	117.05	116.70	117.95	121.23	125.03	122.26	145.12
Germany (65)		114.07	+0.3	94.13	93.60	95.03	95.03	+0.0	2.43	113.75	93.60	93.05	95.03	95.03	95.03	94.15	113.75	93.60	93.05	95.03	95.03	95.03	94.15	113.75	93.60	93.05	95.03	95.03	95.03	94.15	113.75
Hong Kong (55)		176.14	+1.7	145.36	144.52	148.76	175.35	+1.7	4.23	173.17	144.52	141.85	144.89	172.38	176.14	119.62	173.17	144.52	141.85	144.89	172.38	176.14	119.62	173.17	144.52	141.85	144.89	172.38	176.14	119.62	173.17
Ireland (78)		182.78	+0.6	134.34	133.36	135.82	137.36	+0.0	3.86	181.89	133.36	132.42	135.26	137.34	182.48	132.88	181.89	133.36	132.42	135.26	137.34	182.48	132.88	181.89	133.36	132.42	135.26	137.34	182.48	132.88	181.89
Italy (77)		72.24	+1.2	59.55	59.21	60.18	65.25	+0.6	3.55	71.39	59.21	58.36	59.61	62.82	64.76	79.62	72.24	59.21	58.36	59.61	62.82	64.76	79.62	72.24	59.21	58.36	59.61	62.82	64.76	79.62	
Japan (474)		134.61	-0.2	111.09	110.45	112.15	110.45	-0.1	0.77	134.87	110.45	109.32	112.32	112.59	110.37	142.97	134.87	110.45	109.32	112.32	112.59	110.37	142.97	134.87	110.45	109.32	112.32	112.59	110.37	142.97	
Malaysia (68)		204.96	-1.1	116.15	118.8	170.76	215.94	-1.2	2.88	202.65	118.8	160.79	155.40	203.30	213.30	247.74	204.96	116.15	118.8	170.76	215.94	155.40	203.30	247.74	204.96	116.15	118.8	170.76	215.94	155.40	203.30
Mexico (17)		1352.81	-2.3	1119.10	109.96	1127.08	4527.50	-2.3	1.13	1339.34	109.96	113.15	1157.42	4536.36	1340.63	555.73	1352.81	1119.10	109.96	1127.08	4527.50	1157.42	4536.36	1340.63	555.73	1352.81	1119.10	109.96	1127.08	4527.50	1157.42
Netherlands (35)		120.35	+0.2	120.15	120.14	121.39	120.59	-1.0	4.47	147.40	120.15	120.56	123.15	123.15	121.83	144.24	120.35	120.15	120.14	121.39	120.59	120.56	123.15	123.15	121.83	144.24	120.35	120.15	120.14	121.39	120.59
Norway (30)		47.97	+0.4	69.99	69.99	70.99	70.99	+0.4	2.02	47.97	69.99	69.99	70.99	70.99	70.99	70.99	47.97	69.99	69.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99	70.99
Norway (30)		173.29	+0.2	143.01	142.19	143.38	147.55	-3.2	1.75	176.17	142.19	140.51	146.71	148.53	152.1	223.24	173.29	143.01	142.19	143.38	147.55	140.51	146.71	148.53	152.1	223.24	173.29	143.01	142.19	143.38	147.55
Singapore (38)		202.22	+1.6	170.18	169.20	213.30	158.27	+1.7	2.21	203.02	169.20	166.06	188.61	155.63	213.93	261.03	202.22	170.18	169.20	213.30	158.27	166.06	188.61	155.63	213.93	261.03	202.22	170.18	169.20	213.30	158.27
South Africa (61)		263.74	-1.3	217.65	216.29	219.72	174.43	-0.4	2.81	267.10	216.29	211.16	218.27	215.81	215.63	269.93	263.74	217.65	216.29	219.72	174.43	211.16	218.27	215.81	215.63	269.93	263.74	217.65	216.29	219.72	174.43
Sweden (25)		149.26	+0.2	122.44	121.55	143.70	146.27	-1.0	2.29	149.38	121.55	120.33	123.97	144.14	171.12	131.51	149.26	122.44	121.55	143.70	146.27	120.33	123.97	144.14	171.12	131.51	149.26	122.44	121.55	143.70	146.27
Switzerland (59)		97.63	-0.6	80.57	80.11	81.35	85.94	-1.1	2.35	98.20	80.11	80.33	82.06	86.80	100.67	82.17	97.63	80.57	80.11	81.35	85.94	80.33	82.06	86.80	100.67	82.17	97.63	80.57	80.11	81.35	85.94
United Kingdom (240)		157.27	-1.3	148.25	145.40	147.64	146.26	-1.6	5.09	179.49	145.40	143.63	146.80	149.95	148.31	187.44	157.27	148.25	145.40	147.64	146.26	143.63	146.80	149.95	148.31	187.44	157.27	148.25	145.40	147.64	146.26
USA (526)		174.23	-1.5	127.31	126.56	128.53	164.27	-1.5	3.14	176.93	126.56	126.00	130.83	135.69	131.49	125.95	174.23	127.31	126.56	128.53	164.27	126.00	130.83	135.69	131.49	125.95	174.23	127.31	126.56	128.53	164.27
Australia (620)		141.70	-0.7	116.94	116.26	118.06	118.19	-1.1	4.06	142.74	116.26	114.78	116.75	119.26	119.46	151.52	141.70	116.94	116.26	118.06	118.19	114.78	116.75	119.26	119.46	151.52	141.70	116.94	116.26	118.06	118.19
Noradic (107)		178.70	-0.6	147.77	146.82	148.88	147.47	-1.0	2.19	179.75	146.82	144.09	147.00	150.78	148.62	165.11	178.70	147.77	146.82	148.88	147.47	144.09	147.00	150.78	148.62	165.11	178.70	147.77	146.82	148.88	147.47
Canada (115)		140.32	-1.0	116.30	115.62	117.40	115.16	-0.9	3.11	136.22	115.62	114.71	116.30	114.86	116.21	124.49	140.32	116.30	115.62	117.40	115.16	114.71	116.30	114.86	116.21	124.49	140.32	116.30	115.62	117.40	115.16
Europe - Pacific (154)		138.69	-0.3	114.46	113.78	114.72	112.67	+0.2	1.15	135.80	113.78	113.10	115.30	114.30	115.07	126.96	138.69	114.46	113.78	114.72	112.67	113.10	115.30	114.30	115.07	126.96	138.69	114.46	113.78	114.72	112.67
North America (64)		163.35	-1.5	126.56	124.84	127.79	151.83	-1.5	1.11	166.22	124.84	122.76	127.30	130.04	131.04	159.12	163.35	126.56	124.84	127.79	151.83	122.76	127.30	130.04	131.04	159.12	163.35	126.56	124.84	127.79	151.83
Europe Ex. UK (56)		120.37	-0.3	99.34	98.78	100.31	101.99	-0.1	3.33	120.76	98.78	99.89	99.80	100.92	102.07	129.80	120.37	99.34	98.78	100.31	101.99	99.89	99.80	100.92	102.07	129.80	120.37	99.34	98.78	100.31	101.99
Pacific Ex. Japan (24)		151.19	+1.2	132.74	124.07	125.98	133.47	+1.1	4.14	149.74	124.07	122.62	124.78	132.01	133.18	111.40	151.19	132.74	124.07	125.98	133.47	122.62	124.78	132.01	133.18	111.40	151.19	132.74	124.07	125.98	133.47
World Ex. Japan (173)		142.58	-0.3	117.37	116.77	117.94	117.34	-0.4	2.36	144.17	116.77	115.98	117.34	117.44	118.16	122.92	142.58	117.37	116.77	117.94	117.34	115.98	117.34	117.44	118.16	122.92	142.58	117.37	116.77	117.94	117.34
World Ex. UK (203)		141.19	-0.7	116.52	115.85	117.64	117.34	-0.4	2.36	144.17	115.85	115.17	116.32	120.86	129.56	148.66	141.19	116.52	115.85	117.64	117.34	115.17	116.32	120.86	129.56	148.66	141.19	116.52	115.85	117.64	117.34
World Ex. So. Af (220)		143.52	-0.8	118.45	117.75	119.59	128.57	-0.8	2.64	144.64	117.75	116.32	120.86	129.56	148.66	122.92	143.52	118.45	117.75	119.59	128.57	116.32	120.86	129.56	148.66	122.92	143.52	118.45	117.75	119.59	128.57
World Ex. Japan (173)		150.85	-1.1	124.49	123.78	125.69	139.14	-1.2	3.52	152.46	123.78	123.17	127.30	147.77	155.59	128.23	150.85	124.49	123.78	125.69	139.14	123.17	127.30	147.77	155.59	128.23	150.85	124.49	123.78	125.69	139.14
The World Index (2268)		144.33	-0.8	119.11	118.42	120.29	128.98	-0.8	2.84	145.46	118.42	116.99	121.54	129.96	146.89	129.33	144.33	119.11	118.42	120.29	128.98	116.99	121.54	129.96	146.89	129.33	144.33	119.11	118.42	120.29	128.98